

EPISODE 272

[EPISODE]

[0:00:07] IP: Hello, and welcome to Episode 272 of AvTalk. I am Ian Petchenik here, as always with –

[0:00:16] JR: Jason Rabinowitz. Hello, Ian. Whoa, they changed our podcasting thing. The waveform is all different. I hope we sound better.

[0:00:24] IP: If they make it look better, we obviously sound better.

[0:00:27] JR: That's true. Looks are half of everything in a podcast, that is strictly audio. That's true.

[0:00:32] IP: Exactly. Exactly. There's a very good reason we don't do a video podcast and that reason is Jason's face.

[0:00:39] JR: Mm-hmm. And my cat would be standing in front of the camera the whole time.

[0:00:42] IP: I think we might have more success if we put the cap on the podcast.

[0:00:48] JR: We could try it.

[0:00:48] IP: We could. All right. See, plans are hatched during recording.

[0:00:53] JR: That's true. Or usually, immediately after.

[0:00:56] IP: Well, that's when news breaks. We hatch plans and then the news break. So, let's see what's happened before we've hit record.

This week has been a busy week for aviation. Lots of news to talk about. We're going to talk about Southwest's big potential shakeup with an investment from coming in spending \$1.9

billion for 11% of the airline. Our resident numbers expert, Gavin Werbeloff, will be with us later in the show. But first, we head to India where earlier this week, an Air India, and IndiGo A320 NEO, both A320 NEOs came closer than they should have. The Air India flight was departing. The IndiGo flight was arriving in Mumbai. The Air India flight began its takeoff roll, and the IndiGo flight was close and getting closer. There's video of the incident that was circulated very, very widely on social media and in regular media at their closest point. The two aircraft were separated by 1,671 feet laterally. That point was as Air India was still on the runway, and IndiGo was still in the air. But just barely, nothing happened. Besides the loss of separation, there was no actual incident. The aircraft never came into contact. Boy, oh, boy, were opinions varied and vociferous.

[0:02:39] JR: I think that was the most interesting part.

[0:02:40] IP: Nature of the incident.

[0:02:42] JR: Yes. Half the replies to this were, "It's totally fine. Everything's fine. Stop paying attention to this." The other half of the replies were, "Oh, my God. Oh, my God. Everyone almost died." I think it's somewhere more in the middle.

[0:02:56] IP: Yes. I think Jason's right. I think it is more in the middle. The first comment that I saw was from [Name inaudible 0:03:02]. His comment was the IndiGo pilot did the right thing from what we see. I think everyone that jumped out his throat was like, "How could they" – well, we don't know what happened before the recording. When you're looking at what's going on in the video, and what you can see, I can see how he would come to that conclusion, that the safest course of action at that point is to continue the landing, if you're the IndiGo A320.

Before that, the analysis might change, and we also don't know what the specific instructions were. To Jason's point about everyone who was saying, "Oh, it's perfectly fine. It's perfectly acceptable." There are circumstances in which on a clear day, controllers can opt to shorten the length of time between takeoffs and landings, and decrease the safe space between the two aircraft. That is a thing that can happen.

[0:04:08] JR: That is not this though. This was far closer.

[0:04:12] IP: It may have started as that.

[0:04:14] JR: Exactly.

[0:04:14] IP: But then, we're not exactly sure why they got as close as they did.

[0:04:19] JR: Variables change. Maybe IndiGo was going faster than expected. Maybe Air India took an extra five seconds to hit the gas and start going. These are things that happen every day.

[0:04:29] IP: Exactly. So, the Indian Civil Aviation Authority is investigating. I think there's, where Jason mentioned, kind of the two competing narratives of, "We're all going to die," or, "Everything's fine. Nothing to see here." And the truth being somewhere in the middle. I think we have these knee-jerk reactions where people want to defend what they perceive as their thing and I get that. There has been a lot of criticism, both founded and unfounded. I think the rush to judgment either way, has been somewhat harmful. Where yes, there's an investigation to be had. Let's see, why were the two aircraft in such close proximity? What happened before the film started recording? I think that's just good advice writ large, where, was this incident? I think so, and I think the Indian authorities think so as well, because they're investigating it. Was this something that is worthy of a headline of, "Planes almost crashed." I don't think so. Not at all.

[0:05:37] JR: Again, I think it's somewhere in the middle. It's good that they're investigating. But you have to ask the question. Would this have been an investigation, if not for the video? Probably not. Just looking at it, obviously, there is something that needs to be investigated here, because the outcome was fine. Things may have been fine in the end. But some people say, if that Air India 320, for whatever reason rejects takeoff, that IndiGo crew is put in a bad situation. They're either going to have to commit to the landing and the hope they stop in time or go around. But it is very difficult in that position to see visually, that Air India has stopped accelerating and is slowing down on the runway, and they would have to then – their brain has to process what they're seeing after it becomes visually apparent. And then they would have to go around, and I guess, fly over the Air India A320 which is not great.

So, this is definitely an incident and it's definitely an incident that needs to be investigated and they need to figure out how the pilots would have been put in this position in the first place. And hopefully, we'll find out what happened and measures will be put in place to prevent it from happening again. Because, in my opinion, this is one of those scenarios where, yes, something happened, but luckily, nothing happened. Hopefully, we can prevent that from ever becoming a thing again. But without the video, I honestly don't think this would be investigated.

[0:07:05] IP: I think that's a fine point that you bring up, that without the video, there's probably no investigation here.

Let's talk about an investigation that just concluded where that specific scenario, one airplane flying over the other, happened. I'm talking of course of the FedEx and Southwest incident that occurred in Austin. This is the final report from the NTSB, complete with a variety of interesting and helpful graphics, as well as safety recommendations, because that's what the NTSB does. They investigate and then provide safety recommendations.

This was the incident in which a FedEx 767 overflew a Southwest Airlines 737 as the Southwest Airlines flight was departing runway 18 left and the FedEx 767 was approaching. It was a foggy day and the air traffic controller couldn't see where the Southwest flight was, and the NTSB also lays blame on the fact that there was no runway safety technology in place in Austin, that would have alerted the air traffic controller much sooner than, oh, FedEx sees the Southwest 737 and initiates a go around.

[0:08:30] JR: Yes, which is a system that the NTSB has been yelling about for a very long time that the FAA needs to get installed at many more airports. Austin, being one of the nation's busiest airports, the 27th busiest airport in the US. It's kind of this weird thing where there aren't a ton of airlines at Austin. But it is a big airport. It is very busy. But it also has oddities like an uncontrolled ramp. It's an uncontrolled ramp, which is very odd for an airport that has a lot of movements, a lot of international traffic as well. The whole thing is just very odd situation at Austin. But maybe now, we'll maybe get that runway safety system installed at Austin, probably not.

[0:09:17] IP: Eventually. The runway safety system that we're talking about is ASDE-X, Airport Surface Detection Equipment Model X, which provides controllers with aural and visual alerts in the tower, warning of a potential collision or conflict. That system is the system that averted a potential collision at JFK, and that's the subject of the other NTSB report that just came out this week. I'm talking about the incident where an American Airlines 777 mistakenly crossed a runway that was e used by a Delta 737 departing on Runway four left. American had been given taxi instructions that would have taken it a beam of runway for left, for a runway for left departure down taxiway K. Instead, they continued along taxiway J and cross runway four left in front of the Delta 737.

As they entered the runway, the ASDE-X equipment alerted the controller in the tower to the conflict, and that controller canceled Delta's takeoff clearance. This was a nighttime event and in interviews, the Delta pilots said they didn't see the American 777 down the runway, and who knows if they would have seen it in time.

[0:10:51] JR: Not terribly surprising. There's a lot of blinky lights at an airport the size of JFK. The NTSB went on to say that – and I think we may have talked about this in the initial report. But the American crew was distracted by the concurrent operational tasks during taxi which resulted in the loss of situational awareness. But contributing to the incident was air traffic control tower team's non-detection of the crew's deviation. Again, not terribly surprising. There's a lot of things happening at any time, especially at an airport like JFK. But they do say what likely prevent the accident was the activation of ASDE-X or warning the air traffic control tower and the local controllers prompt of the cancellation of the takeoff clearance. So, technology saved the day, because none of the crews recognize anything that was going on. But thankfully, an alert went off and it was acted on appropriately in the radio frequency that the Delta aircraft was on was not blocked. So, they were able to hear the cancellation of the takeoff clearance. But that was a very thin margin. But thankfully, things worked as they were supposed to. The last line of defense worked as it was supposed to.

[0:12:04] IP: Yes. Jason, tell me about this JetBlue A320 you want to talk about.

[0:12:10] JR: Any in particular? Or the one that kind of went crazy leaving Barbados this week?

[0:12:17] IP: Yes, that one.

[0:12:17] JR: That one. Okay, that one. Okay, a JetBlue aircraft, an A320, registration N586JB which by the sound of the registration is probably approaching 20 years old, 20.4 years old at this point. Nailed it. Took off from Barbados, heading to Boston, and kind of lost its mind. Apparently, there was an issue with the ECAM system, which is the system on board an Airbus aircraft that tells the pilots what's functionally going on. If there are any issues mechanically, electronically, anything that's going on, engine issues, electrical issues, the doors open and what to do about that.

In this case, it seems that system kind of went crazy and was telling the crew all sorts of things that weren't actually happening. I quote from some of the air traffic control audio that was recorded, they had so many illegible somethings that they were unable to tell what was going on with the airplane. They had indications that an engine had failed when it actually hadn't. All sorts of lights were going off. The master caution, the master warning was going off. Air traffic control by the sound of it wasn't being all that helpful, oddly, but the crew mastered the situation. They were able to determine that actually the plane's fine, the plane just thinks it's not fine and they were able to get it back down onto the ground on Barbados. The flight was canceled, and the aircraft was ferried back to the US and is now actually back in service, which is good. But man, that's a weird situation.

[0:13:54] IP: Turned it off, and turned it back on again.

[0:13:55] JR: Basically, yes. The computer just kind of thought it was all sorts of broken when it wasn't. I guess that's what happens when planes get a little bit on the elderly side.

[0:13:55] IP: Oh, boy. We're getting the emails then.

[0:14:08] JR: Someone in the comments on Av Herald left a funny comment saying this is basically as if on an older aircraft, if the flight engineer just started shouting all sorts of nonsense like, "Oh, my God. The engines are out and the hydraulics are out," and actually nothing's wrong. That's basically what the ECAM was doing here. The pilots were just kind of working through the noise to realize actually, there's nothing going on and it's fine.

[0:14:32] IP: The plane is actually just fine.

[0:14:34] JR: It just thinks everything is broken.

[0:14:36] IP: On the other hand, the oven in the back of a KLM 777, not so fine.

[0:14:45] JR: But actually, it was kind of fine. So, this comes to us from FlightGlobal, a KLM 777 had an issue with one of its ovens. Apparently, it wasn't loaded correctly, or it was over-overloaded or something like that, resulting in smoke being emitted from one of the galley ovens and the crew in response to that dispersed six Halon fire extinguishers to combat the overheating aft galley oven, which is a problem because there wasn't actually a fire in the oven. It was just smoke from an overheating oven. The crew had incorrectly assumed that power had been disconnected to the oven, when in reality, it had not been. So, it just kept getting hotter and hotter and hotter, and when they sprayed Halon, which is toxic chemicals on to an oven that was overheating that made the situation much, much worse. It filled the cabin with basically toxic air, which is not good.

I wanted to call this one out because it was interesting in particular, that the cabin crew didn't pull the breaker for the oven because they had been trained in the past to not pull breakers, because that could cause other issues onboard the aircraft. And I quote from the article, the last paragraph, "Investigators found that the cabin crews training stressed the importance of not manipulating circuit breakers, which led to the general understanding that pulling a circuit breaker was not permitted even in the presence of fire or smoke from an electrical equipment." That's really interesting, because if they had pulled the breaker, that thing would have shut off and the smoke would have stopped. But unfortunately, there was also a malfunction in a piece of safety equipment in the oven, that would have stopped it from overheating. So, it just kept going and going and going until the heating elements eventually just kind of burned themselves out in the smoke stop. But this is another one of those situations where it's just like how many things can go wrong on top of each other until a situation that was really not a big deal becomes a big deal. But the last bit about the circuit breakers was, I found, to be really quite interesting.

[0:16:47] IP: Yes. It speaks to how important training is both positively and negatively. Because it sounds like the crew had been trained so hard not to touch the circuit breakers, that touching the circuit breaker in this point would have easily solved the problem, or at least, made it last much less time and ended up hurting them in the end. These types of things are fascinating to me, because there's always room for improvement in procedures and how you do things, no matter seemingly how small.

[0:17:18] JR: Yes. I'm sure some manuals are going to be rewritten ever so slightly at KLM and probably every other airline in response to this issue.

[0:17:27] IP: Yes. That'll be interesting to see if there's an oven safety memo that comes out from Boeing.

[0:17:39] IP: Welcome back, we have our resident numbers expert, Gavin Werbeloff, here with us today to discuss a stronger Southwest, at least, that's the URL that Elliott Investment Group purchased in order to put together an extremely long and very colorful slideshow that basically says Southwest isn't making enough money, and we want it to make more, and we want that money to come to us. Gavin, welcome back to the program. Thank you so much for coming.

[0:18:11] JR: Welcome back, Gavin.

[0:18:12] GW: It's good to be with you guys again. It's been a while.

[0:18:15] JR: it's been so long. We shouldn't let that happen again. We can't do numbers without you. So, we just haven't talked any numbers since the last time you were here.

[0:18:23] IP: That is, in fact, correct. Who are these fine people who have put together this presentation and what have they done, in fact?

[0:18:31] GW: Elliott Investment Management is a private investment firm. Some might call them a hedge fund. Their MO is to try and make as much money in a short amount of time as possible. The way they do that is they invest in businesses, sometimes they're private, sometimes they're publicly traded. When they buy private businesses. They'll usually switch out

the management. A lot of times, you'll see funds will buy up a lot of small businesses in the same sector who are competing with each other, and then mash them all together to get economies of scale and market power. In this case, they have taken a big chunk of the shares of Southwest and are seeking to optimize for shareholder value.

[0:19:27] JR: Oh, no. That's never good for anyone except the investor.

[0:19:32] GW: Well, I mean, in many businesses, yes. But oftentimes when it's aviation, it's even bad for the investors. I think Warren Buffett has a famous saying that if the Wright brothers had known how much capital would be destroyed in the service of aviation, Orville would have shocked Wilbur. I'm very happy he didn't.

[0:19:52] IP: Yes. You know what, I think Richard Branson's often quote is saying the best way to make a millionaire is to have a billionaire and have him start an airline. So, anyone in the industry knows that investing in an airline to make a quick buck is probably doomed to fail. They've put together a 51-slide PowerPoint presentation that lays out their strategy, or not really their strategy. But lays out to what they think Southwest needs a new strategy. What are they saying Southwest has done wrong? What are they saying the problems are?

[0:20:32] GW: I think it's important to look at this in a wider context. If you go back over the last 20 plus years, removing exogenous shocks like 9/11 and COVID, there's an airline index that's under NYSE, the Arca Airline Index. If you look at it, compared to WTI, West Texas Intermediate crude, basically, you can see how one is doing by looking at the opposite performance of the other. Airline stock prices are very heavily negative correlated to oil price. Two, airlines are quite possibly the most complicated businesses on Earth. Everyone who flies a lot, thinks that they know how to run them. I'm not saying that I do. I'm just saying that I know what my limitations are. These are really, really, really complicated capital-intensive businesses.

Then, you look at the fact that within aviation, aviation leadership tends to come from within aviation, and aviation leadership that's recruited from outside the industry tends to not go spectacularly well. You even look, the air framers versus the airlines, you don't see a lot of movement between the two. Someone from Boeing will go to United, or someone from

American will go to Boeing, or Embraer. It's pretty siloed and it's siloed for a reason, because it's so complicated.

So, the other side of this is that Elliott's trying to institute changes that will improve free cash flow in a short period of time. I think if you look at who's come out of the pandemic strongest, it's Delta and United by a wide margin. Alaska has been doing well. JetBlue, Spirit, and Southwest have all had issues, and if you go back to December 2022, when Southwest had its big meltdown. The issues at Southwest require a lot of capital investment, and when you have an activist investor, whose idea is to buy up shares and institute changes, to create free cash flow, those are not going to solve the problems that are at Southwest. They're just going to hollow out the airline and then Elliot's going to exit and the whole thing's going to flop.

[0:23:15] IP: That doesn't sound like a good outcome for anyone, really. I don't like that. I am not a part of the Southwest cult. I don't really ever fly them. But I respect Southwest. I think they have or had a good strategy. I think they have a good plan towards getting, towards a better degree of profitability. But this tell us a little more, Gavin, about what their plan is here. Because it does seem to be kind of like, do what we want, or we're going to make it happen, regardless of that. At the top of that list, kind of seems to be off with their heads.

[0:23:44] GW: Yes. I mean, we sort of seen a similar situation, but different at Boeing, where we all say leadership has to change, but okay, who do you replace them with? Because of the size and complexity of the business. Elliott makes a lot of hay about how Southwest always promotes from within. Maybe that's right, maybe that's wrong. We've seen Scott Kirby move from American to United and be pretty successful that's crossing companies but still staying within the industry. I don't know who the right person to lead Southwest is. But it needs to be someone who knows how the cake gets baked and that's going to be someone at minimum from within the industry, if not from within Southwest. I think you also have to look at Southwest track record, right?

They've built themselves into the biggest domestic US carrier by ASMs with this management team, so maybe they've gotten something wrong. Maybe it's a bit of COVID hangover. I think, we underestimate how much disruption COVID caused to the sector. These are not businesses that are designed to be spun up and spun down quickly, right? They go on six-month schedule

cycles in general, because moving things around, always break something. I don't know if they're actually trying to make the business better, or to just juice free cash flow for long enough to get out and make a profit.

[0:25:23] JR: It does, to me, at least seem like the former. On page 31 of the 50-something-page document, they take a look at things that other airlines, namely Delta, United, and American are doing such as assigned seating, which is there's all sorts of different levels of assigned seating at the major airlines, premium products, basic economy, checked bag fees. These are all things southwest said no, no, no, and no to, and they have some quotes here that says Southwest in terms of check bags fees, absolutely never. Or basic economy, you're not going to see basic economy from Southwest. That's not what we do. Premium products, I think things like curtains and things like that are a bit far afield from who Southwest Airlines is.

So, it really looks like Elliott is squarely looking at the things that make Southwest, Southwest, that have given Southwest that cults following over the decades that sets them aside as something different, something that people want to fly points at that, in particular, and says, "Stop doing those. Just do what American does." I'm not sure that's a good idea. Is it?

[0:26:28] GW: I'm not sure American is the one you want to emulate right now. What Elliott wants Vasu Raja to come in and run Southwest? I don't know.

[0:26:37] JR: Oh, no.

[0:26:40] GW: I'm also laughing at the idea that we're going to spend all the money to put in the software to do assigned seating so that we can then charge for assigned seating, and then create a basic economy product that doesn't come with assigned seating.

[0:27:01] JR: Right. Once you take away these things, like the open seating, and free check bags, and all of that, Southwest just becomes any ordinary airline. I don't know about you two, but when I look at flights, Southwest is typically the most expensive fare. At least out of New York. It's never a realistic option for me, because it's always somehow more expensive than the other carriers. If that stays the same, and then Southwest is suddenly charging for checked

bags and seat assignments at all that, why would I ever fly Southwest? The math isn't mathing, for me.

[0:27:31] GW: It also seems that not only are these changes going to produce the financial results that they think they are, but they also assume that they're frictionless. I mean, Southwest has enough issues with booking systems and pilot scheduling systems, as it is. There's a massive investment going on there to fix the problems that caused the Christmas 2022 fiasco. But building in the systems to monetize checked bags, monetize seating assignments, is just a whole other layer of complexity on top of a massive investment and rework.

[0:28:11] JR: There are some, I think, legitimate gripes here. On page 32, they get into the things that Southwest claims or maybe Elliott thinks Southwest claims are transformational items, such as – actually, now, they do have a quote from CEO, Bob Jordan, April 2024, saying, “We have transformed before adding things like Wi-Fi larger bins and seat power and we'll continue to adapt. Elliott calls out that these aren't transformational things. These are table stakes. These are things that all airlines in the US do. In-seat power, upgraded Wi-Fi, larger overhead bins, these are things airlines have been incrementally adding for decades in the US, that they are just evolutionary steps, not transformational.

So, I do think there are some valid points here. But the whole slide deck kind of feels to me like somebody higher up in Elliott accidentally found themselves on a Southwest flight and was aghast to see that there isn't assigned seating, and the overhead bins might not be the largest on the 700s and they don't have in seat power, and they were just shocked by all of this and said, “Oh, there's room for improvement here.”

[0:29:13] GW: Things have happened.

[0:29:16] JR: Yes. There's some legitimacy here, but it doesn't seem like this is worth it. A \$1.9 billion hostile takeover.

[0:29:24] GW: I mean, it's not even really a hostile takeover. They want to get rid of the management and they want some board seats.

[0:29:32] IP: I think Brett Snyder over at Cranky Flier touched on this, where Carl Icahn comes in to JetBlue and says, “You need to transform,” and JetBlue says, “Well, we just got a new CEO and hired a bunch of other very smart people who are working on that just now.” He goes, “I want some board seats.” And they're like, “All right, fine board seats. Have fun.” It seems to me that that would have been a much less adversarial way to go about things. If they were in it for a long game, this seems to me to be very, very interested in. This is terrible. This is irredeemably unfixable. Absolutely, the worst that's ever been. The executives need to go. The Board of Directors needs to go. We need to come in and take over. Then, amazingly, Southwest will make a ton of money. We keep coming back to this, without seemingly spending the amount of capital. It's going to take to fix all the problems that we have talked about in this past 10 minutes of speaking to each other. Also, all the previous episodes that we've talked about Southwest's issues, they're not unknown.

[0:30:43] GW: Right. Honestly, you can make an argument that when Carl Icahn came in, JetBlue was really at its lowest point. You had the NEA got nixed. You had the Spirit merger, killed off by judges. You had uncertainty at the top of the airline. That's a good time to be buying. If you're saying, “Look, they control a significant portion of slots at JFK, which is slot constrained, they're going to be difficult to remove, and their share prices at a discount.” I can get behind that value proposition. Also, Carl Icahn has a semblance of understanding how difficult the airline business is. Remember, he bought TWA.

[0:31:31] IP: He's been burned by it before.

[0:31:31] GW: Well, I mean, he kind of disemboweled –

[0:31:34] JR: Did the burning?

[0:31:35] GW: Well, yes. If you disemboweled TWA from the inside, and the only way TWA was able to sell itself to American was to declare bankruptcy and other time. What's a few trips to federal bankruptcy court between trends? At least he has a semblance of understanding what he's getting himself into.

[0:31:52] JR: I think one of the key points here is that Elliott contends that leadership is unwilling to change at Southwest. I don't believe that's true. I think, like you said, Gavin, this industry is incredibly complex. Change takes time, and they acknowledged after the 2022 meltdown that change needed to happen. But it doesn't happen at the snap of a finger. It takes a long time. So, I don't believe that leadership at Southwest is unwilling to change. I think it takes a really long time to affect that change and to do it right, without screwing everything up.

[0:32:26] IP: The last thing I want to touch on, before we let Gavin get back to, I assume a calculator or something similar.

[0:32:33] GW: Excel Spreadsheet.

[0:32:35] IP: Exactly. The people at Southwest. I mean, I spent a good chunk of the previous two decades flying Southwest more than I wanted to. But the one thing that I've always been consistently impressed by are the people, the company culture of Southwest, for better or worse, in some cases, in the past few years, it's been worse, has been, even if there's tension between management and labor. The people who work for Southwest are dedicated to the company and dedicated to each other, probably more than any other airline on the face of this planet. There's a few kind of nods to that in this proposal, that Elliott's put out about how, if there's more profit, there's more profit sharing. But if I'm Southwest's flight attendants, if I'm Southwest's ground handlers, I'm looking at this going, "This doesn't seem very friendly to us."

[0:33:37] GW: Yes. Just to put a finer point on it, Elliott's not looking to get paid via cash flow. It's looking to get paid via projections of future cash flow to the business that are then put a multiple on and built into the share price. It's trying to move the forward projections enough to create a share price jump and let it exit. They're not seemingly in it for the long haul.

[0:34:11] IP: Well, it'll be interesting to see what happens. Southwest is working on a plan that was supposed to be unveiled during their median investor days in the fall. We'll see if that plan is moved forward. If CEO, Bob Jordan has something to say, more about Elliott's proposal, and where we go from here. Does Southwest need some big changes? Absolutely. Are they already working on some big changes? Probably. We're going to find out what they are.

Gavin Werbeloff, our resident numbers expert. Thank you so much for joining us once again. We will talk to you soon.

[0:34:45] GW: Thanks. It's great to be with you guys.

[0:34:52] IP: In Canada, a judge has found Ukraine International Airlines liable for the deaths of those passengers and crew that were shot down by an Iranian missile on Flight PS752 in the early days of 2020. This was a case that was brought in Canada, because there was a large contingent of Canadians on board PS752. The judge is holding the airline liable, saying they should not have taken off, in a time of extreme tensions. This was days after the US had used missiles to kill a general in Iran's Islamic Revolutionary Guard Corps.

Iran responded by launching multiple missiles at US installations in Iraq. There was a lot going on at the time, at which point, Ukraine International Airlines was operating a flight out of Tehran, an Iranian anti-aircraft missile battery mistook the 737 for an enemy aircraft, fired on it and shut it down. So, the airline is now on the hook for damages of – there's no cap on the damages, and the judge has not issued a judgment of the amount of damages yet. This was just is the airline liable.

[0:36:29] JR: This case is particularly interesting, because the assessment that this flight was not safe to continue, seems very subjective. Ukraine International argues that the Tehran flight information region was not deemed to be a conflict zone. On the other hand, the judge says that well, it was in fact a textbook example of a conflict zone. But it hadn't actually been declared such. So, the judge said that the risk assessment conducted on January 2020, failed to meet the standard of care required of UIA and its employees in a number of ways. Well, it feels very subjective, to say what flight is safe and what isn't safe. But at the end of the day, I guess the opinion that the judge is the only one that really matters, isn't it?

[0:37:16] IP: In this particular case, yes.

[0:37:17] JR: In hindsight, yes.

[0:37:19] IP: So, what happens now is that if the judge had found in favor of the airline, they would have been able to limit damages to \$180,000 per passenger. That limit is no longer in force. So, they're obligated to pay the full damages. This isn't the end of things and we'll see where things go from there.

Elsewhere, we go to Australia, where it's pretty much officially official at this point. Bonza will not return to the skies. They did not find anyone to come in and buy the airline. All of the staff have been let go, sadly. They made a go of it, but alas, did not work out and they couldn't get the airline back in the air.

[0:38:08] JR: Unfortunate and Australia remains a very difficult country to start up an airline in.

[0:38:16] IP: Absolutely. Coming out of Australia is the last Cathay Pacific aircraft to have been stored during the pandemic.

[0:38:25] JR: Hey, that transition was super smooth. Well done.

[0:38:26] IP: Eighty-five aircraft that the airline stored, they are now all not quite back in service, but out of storage. A330 B-HLV is the last one to come home will now be basically taken apart in Hong Kong and put back together. So, that'll be fun to see as Cathay continues to renew their fleet.

[0:38:48] JR: Good for them. Good to see an airline as impacted as Cathay reclaim all its aircraft. Of course, Cathay Pacific being one of those airlines where there are no domestic flights. So technically, I guess. COVID hit Cathay quite hard, among other airlines in the region, like Singapore. But Cathay is not the only airline that is still pulling and dragging aircraft out of the desert. I think Air Canada also recently dragged one of its very elderly A321s, I want to say, out of the desert that's been there since 2020. So, things are getting a little active in the field of taking out long-preserved aircraft and putting them back into service.

[0:39:29] IP: It's the summer season.

[0:39:30] JR: Well, for Air Canada, its move kind of desperation. They need aircraft. But for Cathay, it's just getting back to business as usual.

[0:39:39] IP: Eventually.

[0:39:39] JR: Eventually.

[0:39:41] IP: Eventually. So, we've come to the end of the show. But before we go, congratulations to Joseph Wilson and Gerard who are the three winners have a signed copy of Scott Bateman's book, *Hercules*, that we began giving away a few episodes ago. They've already been notified. They might even have their books already.

[0:40:02] JR: Wow.

[0:40:02] IP: So, happy reading. Thank you everyone who joined the contest and thank you so much to everyone who not only joined to the contest following our instructions, which was just to say, "Hey, I want the book." Many of you did, and I appreciate that. But some of you went above and beyond and told us some great stories about your life in aviation, what airplanes mean to you, and things like that. Those were very, very interesting and fun to read.

We're going to pick a few of the more interesting ones to share in next week's episode, so stay tuned for that. But congratulations again to Joseph Wilson and Gerard for winning the copies of the books. If you didn't win, we hope that you go and pick up the book, because it's a great book and Scott's a, he's a decent okay guy. I don't want him to get a big head. But it's a fine book and well worth a read.

This has been Episode 272 of AvTalk. I am Ian Petchenik here, as always with –

[0:41:00] JR: Jason Rabinowitz. Thanks for listening

[END]