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AIRFRAMERS

Boeing Deepens Production Cuts, Delays 777X

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Facing another heavy quarterly loss of \$2.4 billion, the COVID-19-triggered market downturn, and continued uncertainty over the timing of the return-to-service of the 737 MAX, Boeing is making further cutbacks to its commercial aircraft production rates, studying additional layoffs and delaying deliveries of the 777X until 2022.

Announcing new steps in its aggressive retrenchment plan as part of the company's 2020 second-quarter results, Boeing also confirmed production of the 747 will end in 2022 and said it is evaluating whether to consolidate in one location its two 787 production facilities in Everett, Washington and Charleston, South Carolina.

The company's priority remains fixed on returning the 737 to service, but with 450 aircraft already built and in storage awaiting delivery, Boeing is slowing plans to ramp up production to 31 per month from 2021 to early 2022 amid on-going market softness and the prolonged process of recertification. Boeing now believes deliveries will restart in the fourth quarter of 2020 pending clearance of the MAX, which was grounded in March 2019 after two fatal accidents.

"The production ramp profile is also affected by the pace of delivery of our stored

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COVID-19 Spike Could Disrupt Japan's Domestic Recovery

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The rebound in domestic travel in Japan has been one of the most impressive in the Asia-Pacific region, and the government is taking steps to try and keep the momentum going.

However, a resurgence of COVID-19 cases in the country is threatening to put the brakes on the pace of recovery.

Japanese domestic capacity has bounced back quickly towards normal pre-COVID levels. While internal travel was not shut down to the same degree as in other countries, it was still cut back dramatically by government-imposed movement restrictions.

The turning point for Japanese air transport was when the government removed the country's state of emergency and eased domestic travel restrictions on June 19. This spurred carriers to begin ramping up services again.

At its low point in late May and early June, Japan Airlines (JAL) was operating just 28% of its domestic flights. The oper-

ational rate has risen to 68% in the second half of July, and the airline forecasts it will be up to 90% by the end of August.

Demand has also climbed, although not at the same rate as capacity. Domestic demand is predicted to increase to 50% of normal levels in the second half of July, and up to 70% in August.

However, JAL has cut its capacity estimates slightly for early August citing the "new wave of COVID cases being detected in Japan," which is affecting reservations. So far, the carrier has not adjusted its capacity targets for late August.

All Nippon Airways (ANA) forecast it would be operating just over half its domestic flights by the end of July and expects this to increase to 77% in August. ANA had estimated it would restore 88% of its domestic services in August but trimmed this projection in recent days.

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aircraft,” Boeing CEO Dave Calhoun said, adding the company expects the majority of the built inventory to be delivered during 2021. In the meantime, Boeing cautions that the actual timing and size of the rate ramp between now and 2022 will be impacted by negotiations with airlines over the delivery schedule and sequencing of both stored and yet-to-be-completed.

“Stability is going to be job one,” Boeing CFO Greg Smith said. “It’s ensuring that we move up methodically and stabilized—not have travel work—and [have] first time quality. We’ll do an assessment, then we’ll move up to the next rate. And then again, we’ll be informed of how quickly we’re clear in the inventory off the ramp.”

Production of Boeing’s two biggest money earners, the 777 and 787, will also be drastically cut back under the revised plans. Boeing previously planned to reduce 787 production to 10 per month in 2020 and gradually trim it further back to seven per month by 2022. But Calhoun said, “in light of the ongoing challenges presented by the pandemic and the impact on our airline customers we now plan to reduce the 787 production rate from the current 10 per month to six per month in 2021.”

Reducing overall production to low single digits has also triggered a feasibility study into consolidating production into one site. Boeing splits 787 production between Everett and Charleston but assembles the largest 787-10 variant exclusively at the east coast site due to the length of the mid-body fuselage section, which is also fabricated locally in South Carolina. Although this logically suggests Boeing might shift all 787 production, at least temporarily, to Charleston, while mothballing the line at Everett, Calhoun declined to speculate on the outcome of the study.

“I’m not going to jump to that conclusion yet,” Calhoun said. “I want to make sure we do this the right way. So, we’re in process and we’re going to do the best we can.” However, he added, “I’m not even sure we can pull it off, but at any rate we are going to evaluate it.”

The reductions on the 777 will see the combined 777-300ER/777F and 777X production rate slimmed to just two aircraft per month in 2021 versus the company’s original plan of three per month. Deliveries of 777s will continue at an average

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Peach, meanwhile, restored its full domestic network schedule by late July. The LCC had predicted it would increase flight numbers beyond previously planned levels for the August holiday period. But like the full-service airlines, Peach has had to scale back its ambitions and cancel more flights following the uptick in coronavirus cases.

International services remain in the doldrums and are returning very slowly. Airlines will have very little international feed to their domestic networks for some time, so they will have to rely on Japanese local travel for the immediate future.

This is something of a reversal in the importance of the domestic and international markets in Japan. Relatively flat population growth and the spread of the high-speed rail network has meant Japanese carriers have kept growth low in their domestic networks in recent years, instead focusing on international markets for traffic and network expansion opportunities. Attention has now turned to the domestic divisions that the airlines are forced to rely on in the short-term.

The Japanese government is looking to further stimulate demand to provide a boost for the local travel industry and encourage domestic tourism. A campaign called Go To Travel

was launched on July 22, subsidizing up to half of domestic trip costs within certain limits.

The launch of this massive ¥1.35 trillion (\$12.8 billion) program has been complicated by the recent spike in COVID-19 cases, which have been centered in Tokyo. The government has faced criticism from some quarters about whether it should be promoting internal travel while a second-wave risk exists. Because of these concerns, the government has modified the plan to exclude Tokyo residents from the subsidy scheme.

International travel is returning much more slowly than domestic, because of the border and quarantine restrictions imposed in Japan and in other countries the Japanese carriers fly to.

JAL projects it will operate just 10% of its planned international flights in August, and 11% in September. This represents a slight improvement from the 7% it flew in July.

International flight rates are very similar at ANA. The carrier plans to operate 9% of its international services in July and 11% in August. Flights will resume on four more routes, with frequency increases on others. However, any meaningful recovery in international capacity remains a very distant prospect.

AIRLINES

JetBlue Tests Honeywell UV Cabin Disinfection System

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JetBlue Airways is the first U.S. airline to place into service a new Honeywell ultraviolet (UV) cabin disinfection system through a pilot evaluation.

Honeywell announced July 29 that it has delivered eight of its UV Cabin Systems to JetBlue, which is evaluating them over 90 days at JFK International Airport in New York and Fort Lauderdale-Hollywood International Airport in Florida. The carrier is using the systems while continuing other cleaning methods.

In May, JetBlue announced a “Safety from the Ground Up” program to instill confidence in travel during the COVID-19 pandemic. The carrier has implemented steps including blocking middle seats to maintain distancing between passengers, electrostatic fogging of cabins, temperature monitoring and requiring the use of face masks.

“With the safety of our crew members and customers our first priority, JetBlue’s Safety from the Ground Up initiative is maintaining a layered approach to safety by ensuring healthy crew members, providing flexibility, adding space, reducing

touchpoints and keeping surfaces clean and sanitized,” JetBlue president and COO Joanna Geraghty said.

“As we look to add additional layers of protection by utilizing cutting-edge technology, we have identified the Honeywell UV Cabin System as a potential game changer when it comes to efficiently assisting in our efforts to sanitize surfaces onboard,” Geraghty added.

About the size of a beverage cart, the UV Cabin System traverses the length of an airliner cabin in 10 min. Arms extending from the device over the top of the seating emit UV-C-band radiation to treat cabin surfaces.

When properly applied, Honeywell said, UV-C light can deliver doses of radiation that in clinical studies have been found to be effective in reducing various viruses and bacteria, including the coronavirus that causes Severe Acute Respiratory Syndrome (SARS). There are now multiple studies underway to understand the effect of UV-C light on SARS-CoV-2, the novel coronavirus that causes COVID-19.

“Preliminary results from studies performed by Boston University and a consortium of Italian medical and academic professionals report that UV-C light can inactivate the virus at prescribed dosages in the lab. Additional studies are underway for other environments,” Honeywell said.

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rate of around 2.5 per month through the rest of this year. But beyond this Calhoun said the adjusted production rate plans reflect the impacts of the pandemic on the widebody market and the decision to slide initial deliveries of the 777-9, the first of the 777X family, from 2021 to 2022.

The slowdown in 777-9 development, in turn, is caused by the COVID-19 related slowdown in market demand for the big new twin, as well as an extended certification process that reflects lessons learned from the revised certification of the 737 MAX. “We’ve tried to incorporate, or embed, as much of what we’ve learned in the 737 recertification as we can into that of the 777X, which means it just elongates that [process] a bit,” Calhoun said. “Certain things are going to take more time to work our way through with the FAA. They’re going to go deeper than maybe they would have, or we would have assumed in earlier certification processes.”

Confirming plans to end production of the 747-8 in 2022, Calhoun said the assembly rate for the freighter will remain at six per year until the termination of the five-decades long program. Although widely anticipated, Boeing’s plan to end manufacture of the storied 747 appears to have been accelerated by sev-

eral months from a previously targeted end goal of 2023. The 767 line, bolstered by the KC-46 military derivative, meanwhile remains unaffected for now with production maintained at three per month for the foreseeable future.

The company’s commercial delivery tally for the second quarter also reflects the continuing impact of both the pandemic and the 737 grounding with just 20 aircraft of all models turned over to operators, compared to 90 for the same period in 2019. The 787 made up the bulk of the total with seven deliveries, compared to four each for the 767, 777 and 737—the latter comprising military derivatives. The quarter also included a single 747-8 delivery. Total deliveries for the year-to-date number 70 aircraft compared to 239 for the first six months of 2019.

Calhoun also warned of possible further job losses to come, particularly in the commercial sector. Around 19,000 employees are leaving, of which around 6,000 had left by the end of June. “It’s 15% of our commercial businesses, which is where these adjustments have to get made. We’re not yet through those,” he said. “These gradual rate downs that we’ve announced today will also take a toll on future employment.”

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SUPPLIERS

GE Aviation Finances Battered By Production, Services Slowdowns

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GE Aviation saw 2020 second-quarter revenues decline 44% as the company absorbed more than its share of commercial aviation's multiple crises, with lower global travel demand reducing both new-equipment and services revenues, while the 737 MAX slowdown continues to create headwinds for the CFM LEAP 1-B engine program.

GE Aviation sold 178 LEAP-1A and 1Bs in the quarter, down 259 year-over-year, the company said July 29. While narrowbody production rates are falling at both Airbus and Boeing in response to the COVID-19 pandemic-related demand dip, the full pause of Boeing 737 MAX production and slow ramp-up has meant even less demand for the LEAP-1B. While GE Aviation and Safran, 50-50 joint venture partners in CFM, are being paid for engines even though MAXs are not being delivered, production rates have fallen from their peak of 52 per month in 2019. Boeing currently is projecting to have MAX production up to 31 per month in 2022.

"The decrease in equipment revenue was driven by commercial engines as we shipped 403 fewer units year-over-year," GE CEO Larry Culp said. "This is partly due to the 737 MAX grounding and slower production. This was offset slightly by military, which shipped 61 more units year-over-year."

GE Aviation's commercial services business fell 68%, driven by fewer shop visits and less revenue from long-term agreements. Engine shop visits were down 55%, and long-term contractual service agreement (CSA) billings were down 60%, GE said.

"This recovery will continue to be correlated with departure trends across global fleets and per aircraft, which ultimately impact the pace of shop visit growth," Culp said. "While we're seeing some improvement in aggregate, it varies by region as countries reopen."

GE says total departures, its key aviation metric, have been rebounding steadily. GE and CFM-powered flight departures were down 43% in July, which is an improvement from the 76% decline during the April peak.

"Services are critical to the recovery of GE Aviation as we generate a lot of cash here especially within narrowbodies, which were more than 40% of our revenue," Culp said. "China has gone from being down over 70% to now being down 9%, which is obviously encouraging. In contrast, Europe is down 45% and has been rebounding since the beginning of July. The Americas are also down 45% and were getting better until very recently."

GE Aviation has shed 5,400 jobs, which equates to 11% of the 25% total it plans to cut by year-end. The reductions are part of an effort to shed \$1 billion in costs and save another \$2 billion in cash to help weather the storm.

Meanwhile, GE's GECAS lessor arm within its GE Capital unit has received deferral requests from 80% of its 225 customers and granted requests to 60% of them. The company had 17 of its 965 aircraft on the ground as of June 30, awaiting new customers.

REGULATORY/LEGISLATIVE

Vietnam Suspends Da Nang Flights After COVID-19 Returns

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All flights to and from Vietnamese resort Da Nang have been suspended for at least 15 days after more than a dozen COVID-19 cases sprang up in the popular tourist destination.

Since the first reported case on July 25, the Vietnamese government has urged tourists to leave the city. The vacationers are almost all Vietnamese nationals as the country's borders remained closed to foreigners.

Airlines have mounted additional flights, evacuating at least 80,000 tourists so far. However, by midday on July 28, the Civil Aviation Authority of Vietnam (CAAV) announced it was suspending all flights from midnight, including evacuation flights, until Aug. 11.

Land links, including trains and buses, have also been stopped, effectively putting the country's fifth-largest city on lockdown.

Since July 26, at least 90 flights have been operated daily from Da Nang International (DAD) to take tourists home.

After announcing having COVID-19 under control in April, Vietnam had turned to domestic tourism to jumpstart the economy. A strong response saw local airlines such as Vietjet Air, Vietnam Airlines and Bamboo Air returning to pre-COVID-19 operations in May, and even start adding new destinations.

Prior to the new lockdown, the country's four major airlines were offering 158,371 seats from Da Nang, based on CAPA/OAG data, 42% more than 2019 levels. The majority share is held by Vietnam Airlines with 52.3% market share, followed by Vietjet Air at 36.3%.

AIRLINES

Wizz Air Has Been 'Waiting For This Moment For 10 Years,' CEO Says

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Wizz Air CEO József Váradi is looking to accelerate aircraft deliveries and is considering new orders, viewing the post-COVID downturn as a unique opportunity to buck the market.

"We have been waiting for this moment for 10 years," Váradi said, speaking at the release of Wizz Air's fiscal 2020 first quarter results (Q1) July 29. "In 2008-2009, we didn't have the capacity or the scale to benefit from those circumstances. We have a significant balance sheet and a significant pile of cash available to the business. This is our time."

The comments came as the Budapest, Hungary-based LCC posted a €56.7 million (\$66.5 million) underlying net loss for Q1, excluding a negative hit from fuel hedges. Unsurprisingly, given the COVID-19 crisis, it marked a steep decline from the €72.4 million net profit that Wizz posted for Q1 2019. Turnover for the three months ended June 30 was down 86.9% at €90.8 million, based on a 93.2% drop in passenger numbers, while costs narrowed 67.1% to €197.1 million.

"We are not immune. The industry is in deep crisis and we are no different from that. We will suffer short-term pain. We are able to cope with the situation, probably better than our competitors, but at the same time we are not managing the business on a short-term basis," Váradi said.

Wizz Air has taken a bullish approach to the COVID-19 crisis, continuing to operate flights every day. "We carried 700,000 passengers with a load factor of 56%, at a time when European

air travel came largely to a halt," Váradi said.

The company also ended the quarter with €1.6 billion in liquidity. "Cash burn has come in, in the end, better than expected and we have been able to preserve our liquidity quite well," Váradi said.

Unlike other airlines, Wizz Air continues to take new aircraft deliveries and has no plans to defer its orderbook.

"It's not only that we are not deferring aircraft deliveries, but we actually are sourcing more aircraft for summer 2021," Váradi said.

Wizz Air's overall orderbook has not changed, but Váradi said there has been some "ironing out" of delivery schedules, because Airbus is now able to "step up."

This will see Wizz add a net total of 39 aircraft by the end of the 2022 financial year, growing its fleet from 121 to 160 aircraft. By then, 79% of Wizz Air's fleet will be A321s.

"New aircraft deliveries are not only important for growing the business, but also extremely important for creating a cost-competitive advantage," Váradi said, particularly as rival airlines will be retaining older aircraft, causing their unit costs to "shoot up significantly."

Váradi said it is "very likely" that Wizz will go back to the manufacturers for another order. However, he remained cautious. "I don't want to create a perception that Wizz is heavily negotiating on an aircraft order. This is not true," Váradi said.

Wizz Air's aircraft order was negotiated under the auspices of U.S.-based private-equity fund Indigo Partners, which has stakes in several other LCCs. Wizz has a direct commitment

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AIRLINES

Laudamotion To Shut, Become Malta-Based Lauda Europe

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SALZBURG, Austria—Ryanair Group's Austrian subsidiary Laudamotion will be closed and its assets transferred to a new Maltese AOC called Lauda Europe.

The headquarters will move from Vienna to Malta, Laudamotion CEO Andreas Gruber told Aviation Daily in an exclusive interview.

Following other Ryanair Group fleets, Laudamotion's Airbus A320s will be registered in Malta to reduce taxes. All 30 Airbus A320s will be re-registered from OE- to the 9H- country registration.

"We will subsequently reduce our Austrian AOC operation, close it and return [the AOC to the Austrian authorities]. We already applied for a Maltese AOC and plan to start operations from November," Gruber told Aviation Daily.

All employees will be offered positions at Lauda Europe. An office will remain in Vienna, but the head office will be transferred to Malta.

Lauda Europe Ltd. will remain as a wet-lease operator for Ryanair Group airlines. "But we would be also available for other airlines in the ACMI [aircraft, crew, maintenance and insurance] business if one day traffic recovers to better levels," Gruber said.

Gruber described current load-factors and overall travel

demand as "challenging." Following the reopening of Lauda's Vienna (VIE) A320 base on July 1, Ryanair—which has taken over Laudamotion's slots at the airport—has operated a mixture of Boeing and Airbus aircraft to VIE.

"Our move to Malta will deliver enormous positive effects, not only in reducing costs and taxes. Because we also plan to start new bases again in the future wherever our clients want to have our aircraft," Gruber said.

Lauda Europe should also bring financial benefits for many employees and minimize the impact caused by so-called double taxation agreements. All crews currently fall under Austria's tax law, no matter where they are based. "Lauda Europe will be more flexible," Gruber said.

Lauda will continue to operate bases in Dusseldorf, Germany (DUS); Palma de Mallorca, Spain (PMI); and Vienna (VIE). The carrier will close its German base at Stuttgart Airport (STR) by Oct. 30 after failing to agree to a new collective labor agreement (CLA) with staff there.

Laudamotion has lost €300 million (\$339 million) in the two years since its March 2018 launch.

In June 2019, Ryanair announced plans to establish Malta Air in a joint venture with the Government of Malta. "I guess the Ryanair Group has already up to 150 aircrafts registered in Malta," Gruber said.

Ireland-based Ryanair Holdings is the parent company of Buzz, Lauda, Malta Air and Ryanair DAC.

REGULATORY/LEGISLATIVE

Majority Of U.S. House Urge Payroll Support Extension

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WASHINGTON—A majority of lawmakers in the U.S. House signed on to a letter urging leaders from both chambers of Congress to extend the Payroll Support Program (PSP) until March 31, 2021, arguing that failure to do so will lead to hundreds of thousands of job losses across the airline industry this fall.

Passed as part of the CARES Act coronavirus stimulus package on March 31, the PSP provided \$32 billion to fund airline industry payrolls for six months through Sept. 30, by which time lawmakers expected travel demand to have recovered substantially from late March levels. But with that deadline fast approaching, passenger throughput has only rebounded to around 20-25% of 2019 levels, and executives at large network carriers have formally warned upwards of 60,000 employees they may be let go on Oct. 1.

"Without further relief from Congress, mass layoffs among airline industry workers are inevitable—and their magnitude will eclipse those of any furloughs the industry has ever seen," the lawmakers wrote on July 27, led by House Transportation Committee chairman Peter DeFazio (D-Oregon). A total of 223 legislators signed onto the letter, including the vast majority of the lower chamber's Democrats and several dozen Republicans.

The push to renew the PSP comes as Congressional negotiators are struggling to reach agreement on the contours of a fifth stimulus package, which lawmakers hope to accomplish before they break for recess in the second week of August. Senate Republicans unveiled their own proposal this week, which does not include additional funding for airlines.

A dozen aviation employee unions, including the Air Line Pilots Association and Association of Flight Attendants-CWA, issued a joint statement applauding the legislators for pushing to extend the PSP. "By extending PSP grants, Congress has the

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MRO

Pratt & Whitney Lands JetBlue V2500 Long-Term Services Agreement

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JetBlue has tapped Pratt & Whitney to maintain its newer IAE V2500 engines under a 13-year, fixed-price agreement, the last maintenance-related piece in a series of sweeping cost-reduction moves.

The deal covers 230 engines that power part of the airline's 193-aircraft Airbus A320ceo fleet.

"We are pleased to announce that we have entered into a long-term maintenance agreement for our SelectOne engines, helping us manage through one of the largest items of our external spend," JetBlue CFO Steve Priest said. "This agreement provides predictable maintenance and supports efficient operations needed to serve our customers for many years to come."

The announcement comes almost exactly one year after JetBlue unveiled a 13-year deal with MTU Aero Engines to maintain its older, or "pre-select," V2500 engines.

The agreements are part of JetBlue's structural cost program, launched in late 2016 with a goal of cutting as much as \$300 million annually. The airline entered 2020 projecting \$314 million in total savings for the year, including \$100-125 million maintenance-related cost-savings initiatives.

JetBlue also struck a new engine-services agreement with General Electric (GE) that targets CF34 engine life-limited parts (LLPs) costs, factoring in the retirement of JetBlue's Embraer E190 fleet.

JetBlue also has agreements in place with Pratt & Whitney to overhaul the PW1000G geared turbofans that power its A321neos and future A220 fleets. The carrier is replacing its 60 E190s with Airbus A220s, starting in 2020.

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with Airbus, but the deal creates scope to move the orders between Indigo Partners airlines.

"Each of the airlines is taking a view on life," Váradi said. "What we are looking at is managing our own supply of capacity."

Wizz is already operating more than 70% of its 2019 capacity, compared with an industry average of 40%. However, Váradi acknowledges that market conditions remain "far from normal."

"It's more of a rollercoaster than we were expecting. It's going to be a bumpy road, with quite a lot of unpredictability and uncertainty going forward," Váradi said.

To protect against that uncertainty, Wizz is diversifying its business, moving further into markets like western Europe and Abu Dhabi, where it is launching a new airline in October.

"We are moving the network design, not just in our existing network, but to new markets with more consumers, to make the business more diversified on a bigger scale," Váradi said.

Wizz Air also tends to attract young people, who are less affected by the crisis, and migrant travelers, who are already beginning to return. "We think there is significant underlying demand there, but of course, it is not the same as it was last year."

As one of the few airlines still pursuing aggressive expansion, Wizz is being approached by most of the airports in Europe. The LCC is evaluating new long-term airport deals. It has already announced 18 new bases and launched more

than 200 new routes.

"We're not just trying to recover our existing business, but trying to build a new business," Váradi said. "Diversification is a very important strategy."

Wizz Air has freed up 22 aircraft to establish the new bases by trimming frequencies across the existing network by 20-25%.

"We haven't closed a single base. We are maintaining our network footprint," Váradi said. "We don't get tempted by the consumer opportunity. It needs to come hand-in-hand with the cost base, otherwise we simply won't do it. We are not flying for the sake of flying; we are flying for cash contribution."

In the short term, Wizz's strategic focus will be on managing uncertainty, by maximizing liquidity and returns, while minimizing costs. This winter, Wizz still plans to double its underlying ancillary revenue from €0.50 to €1.00 per passenger, but the season is expected to be cash-neutral. In the longer term, the focus is on widening the gap with its competitors.

Over the coming years, Wizz is planning to grow its business by 40-50%. Váradi believes the company will have a "free run," as other airlines come to terms with the new market reality.

"This is a structural move, from our perspective. We're going to be much more formidable, much more impactful in the industry and we're creating our scale and franchise through this experience," Váradi said. "In commodity markets, so long as you're the lowest cost producer, you should do fine. I don't think we're running uncalculated risks."

AIRLINES

Norwegian Brings Staff In-House, Swaps Further Debt For Equity

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LCC Norwegian Air Shuttle has changed its employment model for U.S., UK and Spanish pilots and cabin crew.

Previously, the estimated 3,000 personnel from those countries were employed by third-party OSM Aviation (in which Norwegian had a substantial stake), which then supplied them to the airline.

This agency model has been used by other LCCs including Ryanair and EasyJet. However, the pilots and cabin crew now will be employed by a fully owned subsidiary, Norwegian Air Resources.

The agency model did have some advantages, a Norwegian spokesman told Aviation Daily, in that it provided the airline with flexibility when it came to crew utilization. It also avoided the problem of having to recruit temporary personnel—particularly cabin crew—for the busy summer season, then subsequently letting them go in the winter and having to recruit the following year.

The format, however, did mean the workforce was “slightly more disjointed” and arms-length than was ideal. Under the new arrangement, Norwegian will be able to communicate directly

with crew, rather than through OSM Aviation.

“The key is to bring the crew back under full Norwegian management and not to have this middle agency arrangement as in the past,” the spokesman said. This brings the U.S., UK and Spanish crew on the same footing as staff in other countries such as Norway, France and Italy.

“As a consequence of this change, we will be able to communicate directly with the crews and deal with the ramp-up [of services next year] in a more efficient manner.”

The decision to drop the previous arrangement—Norwegian has now offloaded its shareholding in OSM Aviation—was made as a result of the COVID-19 pandemic, which forced Norwegian to ground all but a few of its aircraft and crews. Most were furloughed. The staff are still on furlough but are now “on the books” at Norwegian.

OSM Aviation has converted sums owed by Norwegian into shares in the carrier. In a July 17 announcement on the Oslo Stock Exchange, the companies detailed a debt-to-equity swap whereby approximately NOK812 million (\$88.6 million) was converted into almost 191 million new shares in Norwegian, representing approximately 5.52 % of the outstanding stock and votes in the company. In similar debt-for-equity swaps in May, lessors took a majority shareholding in the airline.

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power to ensure airline workers will continue to stay on payroll with benefits, prevent mass unemployment in October, and keep aviation workers ready to turn the industry around once this crisis is behind us,” the groups said.

Airlines for America (A4A) has said it is “not actively seeking federal assistance,” although a spokesman said the lobbying group would support a decision by lawmakers to pursue a “simple and clean extension of the PSP grants as long as no additional or extraneous conditions are required.”

Airline executives have voiced support for extending the PSP in recent comments. JetBlue CEO Robin Hayes said on the company’s 2020 second quarter (Q2) earnings call July 28 that an extension of federal support “would be a significant game changer in protecting jobs and giving the industry more time to recover.” American Airlines (AA) chairman and CEO Doug Parker said on July 23 during AA’s Q2 earnings call that company management is “proud” of the initiative, “as we believe our entire industry has a shared goal of keeping hard-working frontline team members employed.”

Still, with the state of negotiations surrounded by uncertainty, airline executives are planning under the assumption that

no additional aid will be forthcoming. A spokesman for South Florida-based Spirit Airlines confirmed to Aviation Daily on July 29 that the company will potentially let go between 20% and 30% of its workforce on Oct. 1, making it the first ULCC to warn of widescale job losses following the expiration of federal payroll support.

Southwest Airlines, by contrast, has committed to refrain from furloughs and reductions to pay rates and benefits through year end, a goal that will be made easier by the fact that 28% of its employees have agreed to either take a short-term or extended leave of absence or voluntarily depart the company. “I can promise you that [furloughs] will be the last thing we do to keep Southwest financially healthy and viable,” Southwest president and CEO Gary Kelly wrote in a July 24 staff memo.

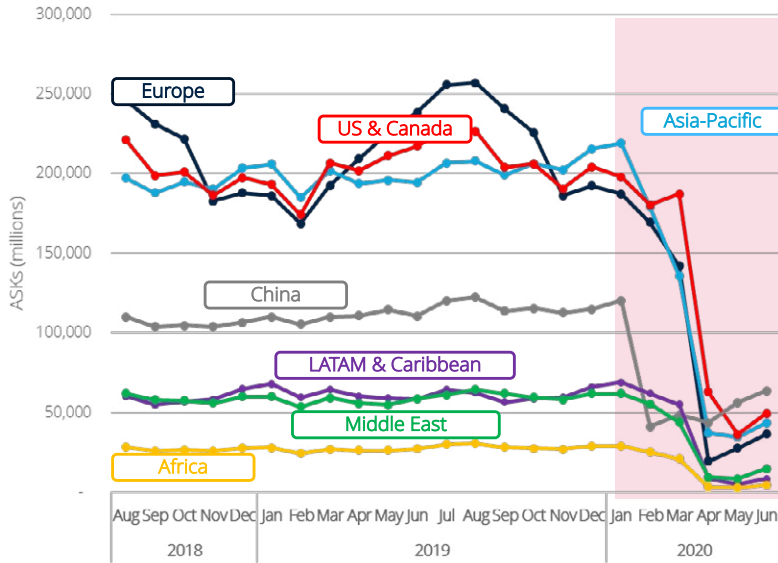
JetBlue’s Robin Hayes, speaking candidly on the company’s Q2 call, said the airline also hopes voluntary measures will be enough to avoid furloughs, but conceded that doing so will become increasingly difficult the longer the downturn stretches on.

“If we take a view of some of the more pessimistic outcomes as to where demand could go, you get to a point where it’s hard to bridge that gap without considering furloughs,” Hayes said.

Industry Data

COVID KPIs: Historic Available Seat Kilometers – By Regions

Flown Capacity As Of July 1, 2020



| Region | Month-on-Month % Change | Year-on-Year % Change | Year-to-Date % Change (Sum YTD19 vs. Sum YTD20) |
|-------------------|-------------------------|-----------------------|---|
| Europe | 32% | -85% | -52% |
| Asia-Pacific | 26% | -78% | -45% |
| U.S. & Canada | 36% | -77% | -41% |
| China | 13% | -42% | -44% |
| LATAM & Caribbean | 63% | -86% | -44% |
| Middle East | 77% | -75% | -43% |
| Africa | 61% | -83% | -46% |

Source: Aviation Week Fleet Discovery

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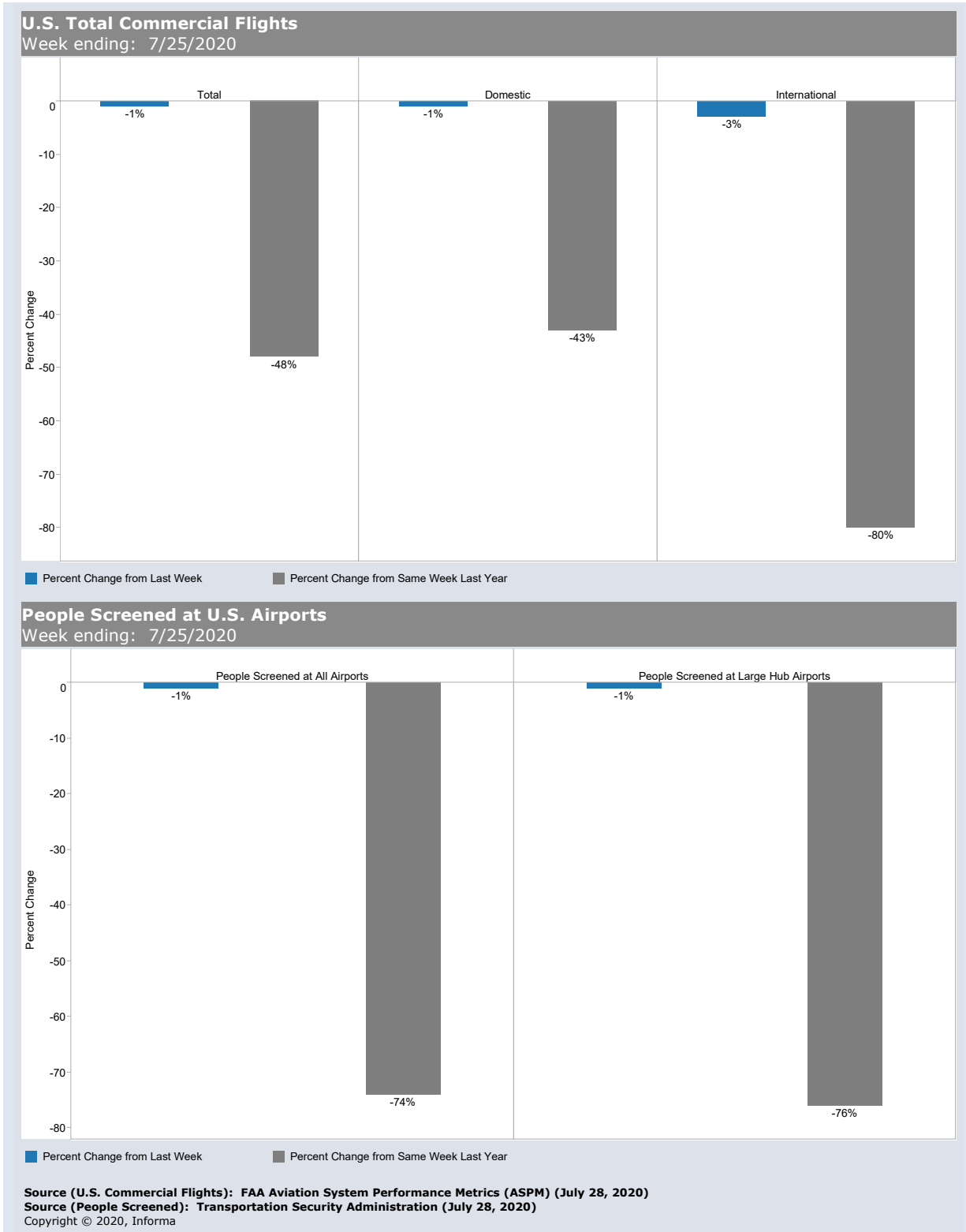
AVIATION WEEK
MRO
EUROPE

For details: events.aviationweek.com

AVIATION WEEK NETWORK

Industry Data

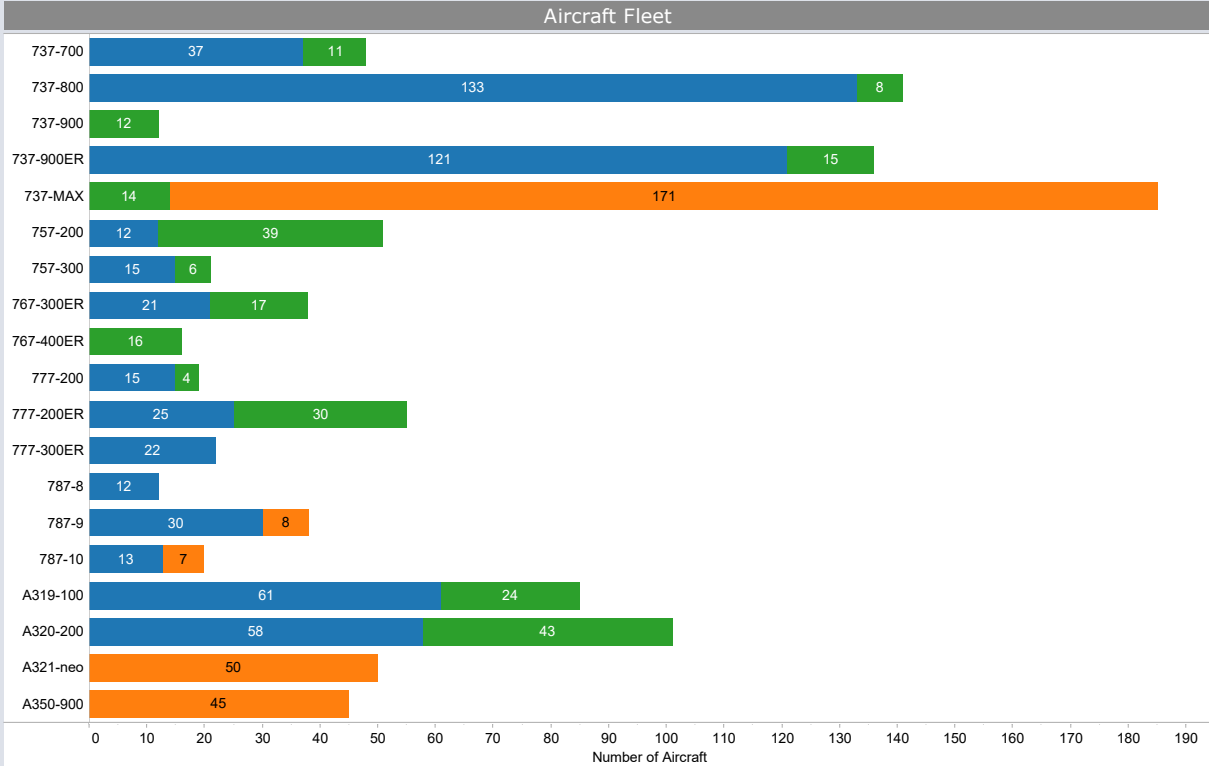
Variations In U.S. Total Commercial Flights; U.S. Airport TSA Screenings Week Ending July 25 Vs. Previous Week And Year-Ago Week



Airline Snapshot

United Airlines

Company Name: United Airlines, Inc.
Company Address: 1200 East Algonquin Rd., Elk Grove Township, IL 60007
Website: www.united.com **Year Founded:** 1926
Company Description: Scheduled passenger & cargo carrier
IATA Code: UA **ICAO Codes:** UAL
Alliance: Star Alliance



Status
■ In Service ■ Stored ■ On Order

| Operating Statistics | | | | Financial Statistics | | | |
|---------------------------------------|------------------------------|------------------------------|-----------------------|-----------------------------|------------------------------|------------------------------|-----------------------|
| | 3 months ended June 30, 2020 | 3 months ended June 30, 2019 | % Increase/(Decrease) | (Millions) | 3 months ended June 30, 2020 | 3 months ended June 30, 2019 | % Increase/(Decrease) |
| Passengers (thousands) | 2,813 | 42,592 | (93.4) | Operating revenue passenger | 681 | 10,486 | (93.5) |
| Revenue passenger miles (millions) | 2,970 | 63,001 | (95.3) | Operating revenue Cargo | 402 | 295 | 36.3 |
| Available seat miles (ASM) (millions) | 8,963 | 73,240 | (87.8) | Operating revenue Other | 392 | 621 | (36.9) |
| Average stage length (miles) | 1,075 | 1,469 | (26.8) | Total operating expenses | 3,112 | 9,930 | (68.7) |
| Passenger revenue per ASM (cents) | 7.60 | 14.32 | (46.9) | Operating income (loss) | (1,637) | 1,472 | |
| Average yield per RPM (cents) | 22.93 | 16.64 | 37.8 | | | | |
| Passenger load factor (%) | 33.10 | 86.00 | (62.9) | | | | |

Source (aircraft fleet): Aviation Week Fleet Data Services (Fleet Update - July 24, 2020)
Source (financial, operating data): United Airlines Second Quarter 2020 Financial Results (July 21, 2020)
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