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Inside:

SUPPLIERS

Production-Rate Fluctuation Swells Spirit AeroSystems 737 Inventory

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The monthly 737 program production rate mismatch between Boeing and Spirit AeroSystems has created a buffer of nearly 130 fuselages awaiting shipment from the supplier to the manufacturer, an Aviation Week analysis shows.

A satellite image of Spirit's Wichita factory taken Aug. 7 showed 127 fuselages sitting where the company stores 737 inventory before shipment, just east of the plant that produces them. The stored inventory is equivalent to about five months of production at Boeing's current rates.

Spirit's monthly production rate started the year at 38 shipsets per month, aligned with Boeing's plans to increase from 31 and stabilize at 38 in early 2024.

But fallout from the Jan. 5 Alaska Airlines 737-9 in-flight door plug loss forced Boeing to cut production. Output fell to an average of around 20 aircraft per month in the first quarter, data from Aero Analysis Partners/AIR (AAP/AIR) show.

Boeing is now back to about 25 per month and plans to be at 38—its agreed-upon maximum with the FAA for now—by year end. Spirit dropped its rate to 31 per month after the Alaska accident and plans to stay there through the end of the year.

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The Daily Memo

Elliott Looks For A Southwest Win After Victory At Starbucks

LORI RANSON, lori.ranson@informa.com

It may or may not be a coincidence that Elliott Investment Management (EIM) opted to launch a proxy fight with Southwest just as the firm succeeded in a management shake-up at Starbucks, but the moves clearly show Elliott's role as a market mover.

On Aug. 13, Starbucks announced the replacement of CEO Laxman Narasimhan with Chipolte's Chief Executive Brian Niccol. Reuters reported in July that Elliott had built a sizeable position in the coffee chain and was discussing ways to improve Starbucks' stock performance.

After the announcement, Elliott issued a statement noting it has "been engaged with Starbucks' Board over the past two months regarding our perspectives on the company's key issues, and we view today's announcement as a transformational step forward for the company."

That same day, Elliott followed through on a previous threat of a board shakeup at Southwest, declaring it was nominating 10 directors to the airline's board. The company also called for a special shareholder meeting.

It's anyone's guess if Elliott can achieve the same results in its quest to upend Southwest's board and upper management, but the Starbucks shuffle demonstrates Elliott has no intention of backing down in its quest to institute change at the airline.

The board roster proposed by Elliott includes three former airline CEOs—David Cush, formerly of Virgin America; Robert Milton of Air Canada; and Gregg Saretsky of WestJet.

Other potential members preferred by Elliott include former deputy CEO of Ryanair Michael Cawley; Sarah Feinberg, former head of the Federal Railroad Administration and a senior official at the U.S. Transportation Department; Josh Gotbaum, a longtime advisor to companies and labor groups and the former Chapter 11 trustee of Hawaiian Airlines; Dave Grissen, the former group president of Marriott International; Nancy Killefer, a former McKinsey senior partner in the firm's consumer and

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The supplier delivered 71 737 shipsets to Boeing in the first half of 2024, including 27 in the second quarter. A delivered fuselage means it has been accepted by Boeing, not necessarily shipped.

Production quality improvement changes put in place starting March 1—part of the Alaska accident fallout—have slowed throughput at Spirit. Boeing now will not accept fuselages unless they pass a verification process meant to cut down on rework done on Boeing's production line. As part of the changeover, Spirit ran 54 completed but undelivered fuselages through the verification process.

"While this dramatically reduced the number of clean fuselages coming from Spirit in the first few months, we have seen steady improvement ever since," former Boeing CEO Dave Calhoun said on a July 31 earnings call. "The improvements in quality have significantly improved our Renton [production] flow times over that same period."

The changes combined with Boeing's production slowdown caused Spirit's inventory to jump, satellite images show. Spirit's 737 fuselage inventory, already swelling as Boeing worked to ramp up to 38 737s per month and match its supply chain's pace, was 83 on Feb. 29. On April 30, it was at 129 fuselages.

Boeing's 737 production averaged about 29 aircraft per month in 2023, AAP/AIR data show. The company announced in mid-2023 that it was transitioning from 31 per month to 38 per month. But it has reached 38 monthly rollouts just once since, in June 2023, AAP/AIR shows. Boeing's official rates reflect supply chain shipping pace, not necessarily the number of monthly rollouts.

Spirit's fuselage inventory will help the supplier support Boeing's planned rate ramp-up without having to increase its own output immediately.

"You might think of that ship-in-place as a buffer that will allow Boeing to increase to 38 per month when the time is appropriate based on their work with the FAA," Spirit CEO Pat Shanahan said on a May earnings call. "I kind of think of that buffer as surge capacity. Based on the volume that's there, it positions us then to respond should the rate go higher."

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retailing practice and current board member of Meta; Eash Sundaram, the former chief digital and technology officer of JetBlue; and Patty Watson, the current EVP and chief information and technology officer at NCR Atleos.

Elliott said the candidates were selected with an optimal mix of backgrounds and expertise to address Southwest's current challenges.

But the question is if the proposed bench is the right mix for Southwest at this point in time.

"I believe in EIM's move to challenge the existing management at Southwest and hold them accountable for an airline that has lost $20B+ in market value since 2017," Swelbar-Zhong Consultancy chief industry analyst William Swelbar wrote in a social media post. "But trying to make a big splash with a proxy fight armed with a proposed slate of directors that seems to be more of a group of individuals comprising a due diligence team rather than 2/3 of its idea of a reconstituted board is—well, disappointing." Southwest's board of directors comprises 15 members.

Swelbar told Aviation Daily, "parading a bunch of names is not going to suddenly create financial fortune for the shareholders."

Swelbar said Elliott is right that changes need to be made in Southwest's management and on the board. "But to do it wholesale seems fraught with more risk than starting slower than they want with people not afraid to get their fingers dirty on the network, and I honestly think the employees need to be part of the solution," he added.

Southwest, meanwhile, stated after Elliott recently agreed to a meeting with the carrier in early September to discuss a collaborative resolution, including "significant Board refreshment and other governance enhancements, Elliott unilaterally decided instead to publicly announce its intention to replace a majority of Southwest Airlines' board."

One distinction between Starbucks and Southwest is that Niccol will be Starbucks' fourth CEO in two years, according to CNN. Southwest CEO Bob Jordan assumed that position in early 2022 but has been with the airline 36 years. One of Elliott's major arguments is Southwest needs "upgraded leadership," due to Executive Chairman Gary Kelly and Jordan's rigid commitment to the status quo. Previously, Elliott has called for Jordan's ouster.

Elliott invested $1.9 billion in Southwest in June, resulting in an 11% economic stake in the carrier. But according to an Aug. 13 regulatory filing it only holds 8.2% of the airline's common stock. According to Southwest's bylaws, special meetings of the shareholders may be called upon written request by one or more shareholders that collectively own at least 10% of the company's shares. As Elliott moves closer to reaching that threshold, the fate of Southwest's management and its board could become murky.

AIRLINES

Virgin Australia Orders E190-E2s To Upgrade Charter Fleet

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Virgin Australia has selected Embraer's E190-E2 aircraft for fleet replacement and growth in its regional and charter subsidiary Virgin Australia Regional Airlines (VARA).

The carrier has placed firm orders for eight aircraft, which are due to be delivered beginning late next year. Entry into service is targeted for October 2025. The regional jets will initially replace the three Fokker 100s remaining in the VARA fleet.

The E2s will primarily be used in the charter market, Virgin Australia said. VARA competes in the lucrative fly-in, fly-out charter segment, serving Australia's mining and resources industry. The carrier is based in Perth, Western Australia.

VARA announced plans to construct a new maintenance hangar at Perth Airport in April 2023, which is due to be completed late this year.

The E190-E2 has a flying range of around 6 hr. and is powered by Pratt & Whitney's PW1900G engines. The new-generation engine is expected to result in 30% less emissions versus the F100s, according to Virgin Australia Group CEO Jayne Hrdlicka.

VARA currently has seven Airbus A320s in its fleet in addition to the three F100s, according to the Aviation Week Network Fleet Discovery database. The F100s are 31 years old on average.

VARA operated as many as 14 F100s, peaking in December 2019; since then, the fleet declined in number. The carrier was operating 10 F100s in mid-2022, six in August 2023 and four in March 2024, Fleet Discovery shows.

AIRPORTS

European Traffic Exceeds Pre-COVID Levels Amid Fragmentation

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Passenger traffic across Europe surpassed pre-pandemic levels in the first half of 2024 (H1), but the airport market has become "extremely fragmented" in terms of performance, according to trade body Airports Council International (ACI) Europe.

There was a 9% rise in traffic during H1 compared to the same period last year, bringing volumes 0.4% above H1 2019 levels. Growth in the second quarter remained strong at 8%, driven primarily by international traffic, which expanded by 10.3%.

"As overall passenger traffic finally made it above 2019 levels over a full six-month period, our industry has now turned the corner on the pandemic," ACI Europe Director General Olivier Jankovec says. However, he adds that only 53% of airports have fully recovered their pre-pandemic passenger volumes in June.

Jankovec says this reflects structural changes in both demand and supply, driven by growth of leisure and VFR passengers, ULCCs and Turkish Airlines. "This also reflects the dynamism of aviation markets in parts of Eastern Europe and Central Asia along with geopolitics' ongoing impact on specific markets, for better or worse depending on their location," he adds.

ACI Europe expects the summer months to see record passenger traffic, despite challenges such as the recent global IT outage, air traffic management capacity shortages and aircraft delivery delays. But Jankovec warns that the performance from the fourth quarter onward will depend on the resilience of demand amid mixed macroeconomic signals, including falling inflation and stable unemployment rates.

Airports in the EU+ market—which comprises European Union (EU) countries plus Norway, Iceland, Switzerland and the UK—saw a 9.5% increase in passenger traffic in H1 compared to last year, reaching pre-pandemic levels.

The best performances in June compared to June 2019 came from airports in Poland (+24.5%), Greece (+23.9%) and Malta (+19.1%). Conversely, airports in Finland (-26.4%), Slovenia (-21.5%) and Bulgaria (-20.5%) were the furthest from full recovery.

Among major markets, Italy (+13.1%) and Spain (+8%) led in passenger traffic growth, followed by the UK (-1.1%), France (-4%) and Germany (-17%). Airports in the rest of Europe posted a 5.8% increase in H1, standing 2.9% above pre-pandemic levels. Notable performers included airports in Albania (+243%), Uzbekistan (+202%), Armenia (+78%) and Kazakhstan (+67%).

The top five European airports welcomed a total of 174.6 million passengers in H1, an 8% increase over last year and 2% above H1 2019 levels. London Heathrow remained the busiest European airport with 39.8 million passengers, followed by Istanbul, Paris Charles de Gaulle, Amsterdam Schiphol and Madrid.

Other major airports with significant growth in H1 included Rome Fiumicino (+26%); Antalya, Turkey (+19.8%); Istanbul Sabiha Gökçen (+16.6%); and Athens, Greece (+16.1%).

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SUSTAINABILITY

OXCCU Opens ESAF Production Plant At Oxford

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OXFORD, ENGLAND—OXCCU, the Oxford University spinoff company developing a one-step process to produce sustainable aviation fuel (SAF) from carbon dioxide and hydrogen using a novel catalyst, has opened its prototype production plant.

The company's demonstration plant, which it calls OX1, has been installed at a purpose-built pad adjacent to London Oxford Airport's fuel farm. The plant is currently undergoing final commissioning checks before becoming operational in September. A prototype, the plant will produce very small volumes of SAF—OXCCU says it can produce around 1.2 L (40 oz.), or 1 kg (2.2 lbs.), per day—which will be used for testing, to validate the concept and the process.

"It sounds like not a huge amount, but this is a big scale-up from the lab," Andrew Symes, the startup's CEO told media during a launch event held at the airport Aug. 11. "And this is a big step for us to go from being a lab-based company to now operating a chemical plant."

The difference between OXCCU's approach to producing so-called eSAF or PTL (power-to-liquid) SAF lies in the catalyst the company has developed. The proprietary FeMnK (iron, magnesium, potassium) compound allows for hydrogen and carbon to combine in a single reaction. Other eSAF production pathways turn CO_2 into carbon monoxide (CO), then use the Fischer-Tropsch process to combine CO with hydrogen. OXCCU says that eliminating this intermediate step will make SAF produced from their process far cheaper.

"We actually do go via CO, but the CO is formed on the surface [of the catalyst] and then carries on reacting, so you don't ever see the CO, essentially, in the process," Symes says. This results in "a significant reduction in capital cost, operating cost, and ultimately lower-cost CO_2-derived fuel," he adds.

The purpose of the prototype plant is twofold. The company aims to prove that its design for the reactor is de-risked at lower cost in a smaller-scale installation before investing in a larger plant. It will also help inform ongoing redesign of both the chemical and physical properties of the catalyst.

The firm has a clear plan of where it is going next. A partnership announced earlier in 2024 with industrial infrastructure manager and operator px Group will see the completion of a first-of-a-kind (FOAK) demonstration plant at px's existing Saltend Chemicals Park facility, near Hull, East Yorkshire. This plant will be capable of producing 160kg/200L of fuel per day, and the companies say operations will begin in 2026. Experience and product from the FOAK plant will in turn inform design and development of a first commercial scale plant, which OXCCU says could be delivering fuel by 2028.

"We need to run that first-of-a-kind plant for a decent number of months—let's say three-to-six months," Symes says. "Then that basically goes straight into the next plant. You can do a lot in parallel. There's nothing stopping you—like we've done with [OX1], like we've done before—getting the basic design done and the site ready to go so that as soon as you've got the data you can go out and raise money and then get [the production-scale plant built]."

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LESSORS

AirExplore Provides 737-800 Damp Lease To Nigeria's Air Peace

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Bratislava-based AirExplore will damp-lease four Boeing 737-800s to Nigeria's Air Peace for the upcoming European winter season.

AirExplore, which is part of the Avia Solutions Group, has signed a contract with Air Peace to lease the four aircraft from November 2024 through March 2025 under a damp-lease agreement to bolster Air Peace's capacity.

A so-called damp lease contract means that an airline provides the aircraft, pilots, maintenance, and insurance. The airline, Air Peace, will provide the remaining cabin crew for domestic flights within Nigeria.

Air Peace will base the four AirExplore 737s at Lagos Murtala Mohammed Airport. The airline also bases 12 737-800s at the airport, as well as one 777-200 and two 777-300ERs, of which one aircraft is grounded.

According to the Aviation Week Network Fleet Discovery database, Air Peace also operates five Embraer ERJ145s, three E195-E2s and one Dornier 328. A further ERJ145 and two E195-E2s are stored.

"We are excited about this new partnership for the winter season," AirExplore CEO Martin Stulajter said Aug. 12, adding that the contract will strengthen AirExplore's presence in the African aviation market while sustaining revenue during the challenging winter period. Both AirExplore and Air Peace have previously worked together.

AirExplore was founded in 2012 in Slovakia and was acquired in June 2023 by the Avia Solution Group. The airline's fleet comprises nine 737-800s and eight 737-800Fs.

The Avia Solution Group is the parent company of several ACMI and charter carriers worldwide. Avia has a total of 12 air operator certificates. Its ACMI airlines transport around 14.5 million passengers every year.

In addition to AirExplore, the Avia group includes Avion Express, Avion Express Malta, BBN Airlines Indonesia, Skytrans in Australia, and SmartLynx Airlines (including its subsidiaries SmartLynx Airlines Estonia and SmartLynx Airlines Malta).

Operating a total fleet of 213 aircraft, the group claims it is the world's largest narrowbody fleet provider offering 123 Airbus A320 family aircraft, four A330s, 57 737 family aircraft, four 777s and one VIP Mitsubishi CRJ 200.

During the first quarter of 2024, the group expanded its fleet with 13 additional aircraft.

Based in Ireland, Avia Solutions Group operates in 68 countries and has offices in Dubai, Dublin, Lithuania, and New York. ACMI and charter services are provided in Africa, the Americas, Asia, and Europe.

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Learnings from OX1 should be sufficient to finalize design of the Saltend FOAK plant by January 2025, Symes says. Changes to current design plans are likely to be seen more in the catalyst than in the physical plant construction. Refinements to the catalyst should enable improvements to be seen in terms of the rate at which it converts the CO_2, and how long the catalyst lasts in the reactor before its capability degrades to a point where it needs to be replaced.

"We've got generation one of the catalyst today," he says, holding a small glass jar containing around a hundred shaped pellets of the catalyst material. "That then needs to be industrialized, put through this [the OX1] plant. Then it will go on to the next [Saltend] one.

"But we can then work on a second-generation catalyst that's even better," he adds. "That also needs to be tested at this kind of scale. Once we've got [the first-generation catalyst] demonstrated, we've got the learnings from it, and we've then gone to Saltend, we then can essentially get a new batch of catalysts that's invented in our own lab and take it through the same journey and come up with the next product—so we've always got a new product to sell to our customers."

OXCCU's business model will see them license their technology—the company holds patents on both the physical and chemical properties of the catalyst, and on the design of the reactors—to third-party fuel refiners, rather than building production plants themselves. Current investors in the firm include fuel multinationals Aramco and ENI, one or both of which may end up being the operator of the first production-scale plant.

"We're already talking to people, some you can probably guess, but others as well," Symes says. "They need to be in early on this journey and we're getting them close to our technology, showing them how it works, and they're getting more and more familiar."

AIRLINES

Air Canada Resuming Ottawa-London Flights, Eyes A321XLRs For Growth

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Air Canada plans to resume nonstop service between Ottawa and London starting March 2025 after a five-year hiatus—and sees the potential to deploy Airbus A321XLR aircraft on the route in the future.

Flights connecting Ottawa International Airport (YOW) and London Heathrow Airport (LHR) will restart on March 31, 2025, operating four times per week using Boeing 787 widebody aircraft. The move will restore the airline's transatlantic flights from the Canadian capital.

Air Canada previously served the Ottawa-London market daily aboard 767-300s during the summer season, dropping to 6X-weekly during the winter months. However, the 3,321-mi. (2,886 nm) route was suspended at the onset of the pandemic in March 2020 and has remained absent from the airline's network ever since.

Mark Galardo, Air Canada's EVP of revenue and network planning, emphasized the significance of LHR as a major global gateway and the carrier's largest international hub. He says passengers will be able to connect to 30 destinations across Europe, the Middle East, India and Africa with its Star Alliance partners.

Galardo adds that the airline will also evaluate the potential to use A321XLRs between YOW and LHR once aircraft deliveries begin in 2025. "The economics, optimum cabin size and range of the XLR, which is expected to begin arriving in late 2025, will enable us to consider operating this important international route with greater frequencies and potentially with year-round service," Galardo says.

Air Canada has 30 A321XLRs on order, according to the Aviation Week Network Fleet Discovery database. The airline has previously said it plans a 50-50 split between international and North American routes once it scales up the fleet.

Prior to the pandemic, the airline offered a seasonal summer route from YOW to Frankfurt alongside the year-round operations to LHR. Their suspension left Ottawa without nonstop transatlantic flights for more than three years until Air France entered the market in June 2023 with a route from Paris Charles de Gaulle Airport.

Air Canada's planned resumption of London service comes three months after announcing plans to boost its schedule from Ottawa by almost 60%, with routes to Calgary and Winnipeg now operating year-round, increased capacity to Halifax and Quebec City, and the addition of widebody service to Vancouver. Frequencies have also been added to leisure destinations such as Florida's Fort Lauderdale, Orlando and Tampa; Cancun, Mexico; and Punta Cana, Dominican Republic, for winter 2025.

AIRLINES

Air Arabia To Continue Expansion, Despite Market Problems

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Air Arabia predicts ongoing economic and geopolitical uncertainties will continue to result in higher costs and operational challenges.

In its half-year (H1) report, the Sharjah, United Arab Emirates (UAE)-based LCC said that supply chain challenges, oil price volatility, and fluctuating currency rates in key markets would continue to add pressure on airlines.

However, the airline said it remains committed to investing in an increased fleet, new routes and greater frequencies.

The unsettled market conditions saw the airline's net profit for the first half of 2024 dip to AED631 million ($171 million) compared to AED801 million for H1 2023.

The airline described the latest figures as a "solid net profit," driven by strong passenger demand and revenue growth. Air Arabia cautioned, however, that yields had softened.

The airline carried more than 5.4 million passengers across its hubs in the UAE, Morocco, Egypt, and Pakistan during H1 2024, a rise of 13% compared to the same period last year. Load factor was just shy of 82%, up from 80.7% a year ago.

The company added that its expansion plan remains on track, with 16 new routes added across the group's network and three new aircraft added to the fleet in the first half of the year, bringing the fleet size to 77 Airbus A320 and A321 aircraft. The airline has been leasing in additional A320s to help cope with demand.

Air Arabia has deferred deliveries of its 120 new A320neo family aircraft on order to start in 2025 in hopes that the new engine technology on the aircraft will mature.

"As of 2025, we will get anywhere between 15 to 20 aircraft deliveries every year, some of them for growth, some of them will be for replacement, depending on the age of the particular aircraft," Group CEO Adel Ali said at the IATA annual general meeting in Dubai in June.

According to the Aviation Week Network Fleet Discovery database, the order comprises 73 A320neos, 27 A321neoLRs and 20 A321XLRs.

AIRLINES

Etihad Airways Has Positive First Half, Adds A321neos To Fleet

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Abu Dhabi-based Etihad Airways is benefiting from strong demand in the first six months of 2024, and despite global aircraft delivery delays, the airline was able to add a new type to its fleet: the Airbus A321neo.

"Notwithstanding the global aircraft shortage, we have 16 more aircraft in our fleet of 92 than at the same point in 2023, including three A321neos," Etihad Airways CEO Antonoaldo Neves said Aug. 8.

Six CFM Leap 1A powered A321neos, which were previously operated by Vietnam's Bamboo Airways, will be leased to Etihad. Three A321neos are already in operation.

"In the next 18 months we expect to add more than 20 new generation aircraft to our fleet," the CEO said, adding that this represents an important step in the company's growth plans.

Looking into the financials, Etihad's net profit surged to AED851 million ($232 million) in the first half of 2024, up 48% year-on-year, driven by strong passenger and cargo revenue.

Neves said the airline's strong first half of 2024 demonstrates the soundness of the carrier's strategy and growth path.

During the first six months of 2024, Etihad carried 8.7 million passengers, a 38% increase over the same period in 2023.

The airline optimized its network by enhancing connectivity and routes, Etihad said, as well as increasing frequencies to key destinations. The total number of destinations increased from 70 to 81 including new services to Al Qassim, Saudi Arabia; Bali, Indonesia; Boston; and India cities Jaipur, Kozhikode, and Thiruvananthapuram.

Seasonal services have been added to Antalya, Turkey; Malaga, Spain; Mykonos and Santorini in Greece; and Nice, France.

Etihad's first half revenue was AED11.7 billion, increased from AED9.6 billion in the first half of 2023, reflecting strong demand for the mentioned network adjustments and improved connectivity.

Etihad's load factor in the first half remained unchanged year-over-year at 85%. The airline's revenue generated from cargo increased by approximately 10%, also primarily driven by increased demand and increased belly capacity of its fleet.

Etihad said its overall passenger experience improved, continuing the trend of increased customer satisfaction since consolidating operations in its new terminal at its Abu Dhabi Zayed International Airport hub, which started operating in phases beginning Nov. 1, 2023.

Etihad's share of the total of 13.7 million passengers handled at Abu Dhabi Zayed during the first half was over 63%.

AIRLINES

LATAM Sees Excess Capacity In Colombia After JetSMART's Launch

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LATAM Airlines Group believes there is oversupply in Colombia's domestic market after a new competitor launched operations earlier in 2024.

The Colombian franchise of South American ULCC group JetSMART debuted in March. Data from Aviation Week's CAPA show the carrier has an 8% share of the country's domestic seats.

"I would say the only market where we see today an imbalance that is visible between capacity and demand is Colombia," LATAM's new Chief Commercial Officer Ramiro Alfonsín said on an Aug. 8 earnings call. "Clearly the entrance of JetSMART to the market added a number of incremental flights that were not there a few months ago."

As of early August, Colombia's domestic seats were up 37% year-over-year, according to CAPA. Alfonsín said oversupply is a normal occurrence and "then the market kind of resets itself."

Colombia was the only domestic market where LATAM lost share in the second quarter (Q2) compared with the year prior, dropping from 33% to 28%. Both LATAM Airlines Colombia and the country's largest carrier Avianca expanded their domestic operations in 2023 after ULCC Viva ceased operations in February 2023.

LATAM's management also fielded a question regarding a local Reuters report quoting LATAM Airlines Brazil Chief Executive Jerome Cadier saying the airline has mapped what growth could look like with a smaller capacity fleet, noting the aircraft could be sourced from Embraer or Airbus.

In response, the company's executives said LATAM is always looking "at everything, not only aircraft, also engines ... [we] are looking at everything that we believe is an opportunity."

In Embraer's Aug. 8 Q2 results investor call, the Brazilian's airframer's CEO Francisco Gomes Neto said the company sees great opportunity to increase the E2's presence in Brazil. The

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CARGO

Iran Starts Certification Of Simorgh Light Freighter

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Iran's Simorgh light transport aircraft is now undergoing the flight certification process, according to state-run Mehr News Agency.

Mehr News cited Mohammad Mohammadi Bakhsh, head of Iran's Civil Aviation Authority (CAA), as saying Aug. 12 that test flights of a prototype are under way.

The Simorgh was unveiled in May 2022 as the first Iranian-designed light transport aircraft. The aircraft is a modified version of the IrAn-140, an Iranian-Ukrainian joint project which, in turn, is based on the Ukrainian-designed Antonov An-140.

The new aircraft carried out its first flight in May 2023.

Bakhsh said the Simorgh differs from the IrAn-140 because of modifications to its engine and fuselage, although exactly what changes have been made have not been specified.

American Enterprise Institute senior fellow Michael Rubin wrote in July 2023 that Iran Aircraft Manufacturing Industries Corporation began importing Antonov An-140 knock-down kits 15 years previously, with the aim of assembling approximately a dozen per year. Rubain said that the Simorgh incorporates minor adjustments to the fuselage, tail, and wings of the AN-140.

The biggest change from the original Antonov design is the inclusion of a rear fuselage cargo ramp. The aircraft can reportedly carry six tons of cargo.

The Iranian CAA's Baksh added that a second Simorgh is under construction.

Mehr News cited an Iranian defense ministry spokesman as describing the Simorgh as essentially a freighter, but a design that could join the country's fleet of short-haul regional aircraft in the future.

Iran has been under western sanctions that have stymied its attempts to buy modern airliners for much of the past two decades.

The country's air fleet is increasingly aging; over the years, Iran has created a widespread network of front companies around the world that have been able to ferry a slow trickle of second-hand western airliners to the southwest Asian country, often via African or Asian nations.

LATAM, From P. 7

E-Jets are a "perfect fit" for that market, Gomes Neto said, adding that the type "can help airlines not only in Brazil but everywhere to add capacity quickly to their fleets."

Brazilian airline Azul is one of the largest Embraer operators worldwide with 33 E195s and 16 E195-E2s in operation, according to the Aviation Week Network Fleet Discovery database. Azul's fleet ranges from Cessna Caravans operated by its regional affiliate Azul Conecta to a mainline fleet of ATR-72s, the E-Jets, Airbus A320neos, A321neos and A330s. The airline is the only airline operating on 82% of is routes, and its domestic network encompasses 118 destinations, according to CAPA.

LATAM, meanwhile, doesn't believe deliveries from Airbus will be significantly delayed, with executives noting the company feels very comfortable with its capacity plans for the remainder of the year. LATAM's projections show its capacity will increase 14-16% year-over-year in 2024.

The company has some aircraft grounded due to issues with geared turbofan (GTF) engine powering A320neo family narrowbodies, but its management said the size of that subfleet is not significant. LATAM's fleet plan shows it plans to end 2024 with 45 A320neo family aircraft. The company opted to keep some A319s longer than planned to compensate for the effects stemming from grounded aircraft with GTF engines.

LATAM's overall fleet count at year-end, including cargo aircraft, will settle at 339 aircraft compared with 316 the year prior.

For Q2, LATAM posted a 13% year-over-year increase in operating revenue to $3 billion while expenses increased 14.6% to $2.8 billion. The airline's Q2 net income increased to $145.3 million from $104.5 million the year prior.

Industry Data

Major European Airline Groups Net Income, Q1 2019-Q2 2024

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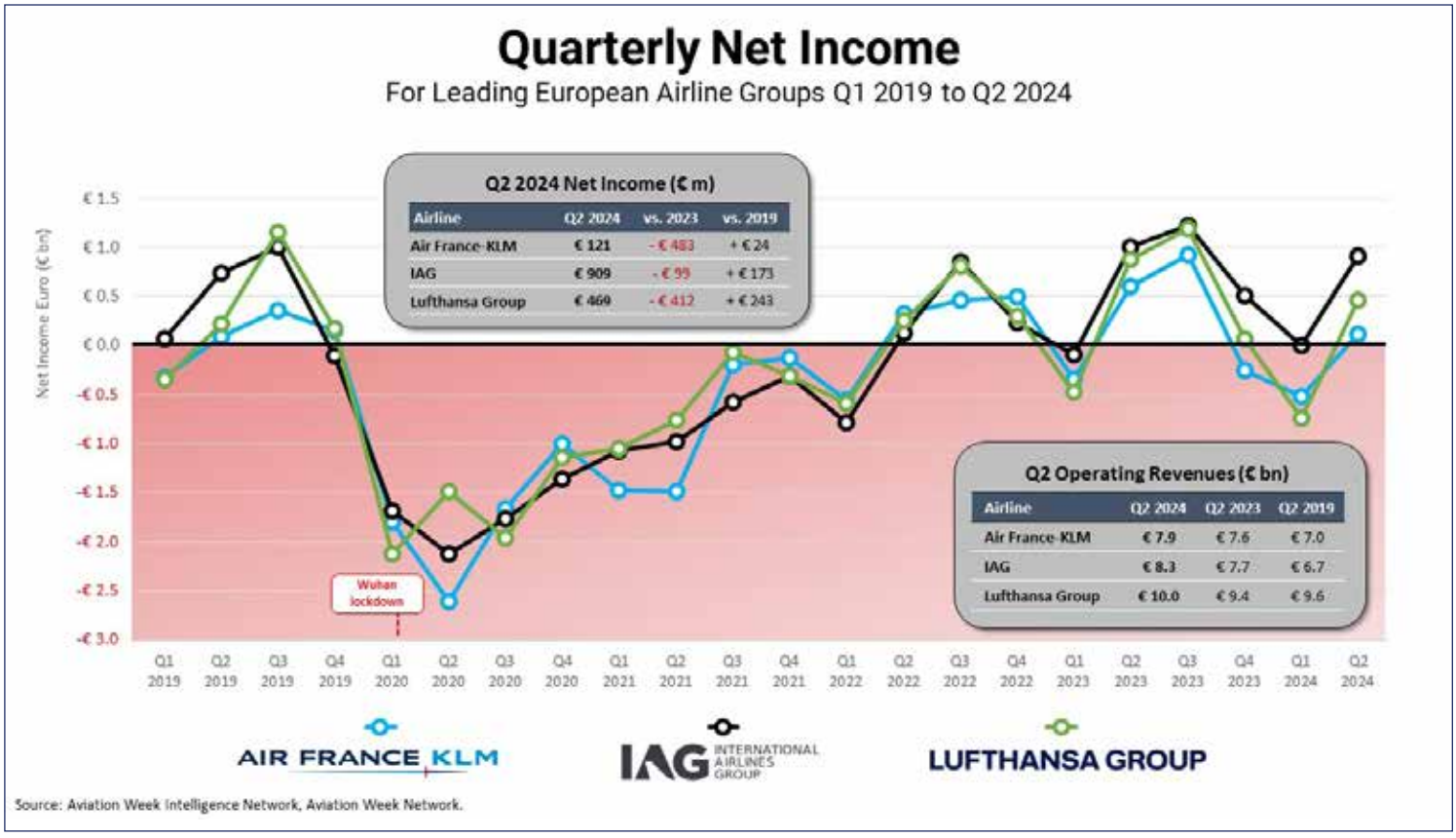
The second quarter (Q2) of 2024 resulted in strong operating revenues and positive net results for the featured three main European airline groups, an improvement on first quarter losses for the same operators.

As the groups' revenues reached record-high results for an April-June quarter, their net results could not match their Q2 2023 performance but were a clear improvement on Q2 2019.

Air France-KLM reported €7.9 billion ($8.7 billion) in revenue during Q2 2024, 4% above the same period in 2023. The group's after-tax net result came to €121 million. Higher labor and fuel costs have impacted profits, even as revenues have been boosted by higher fares.

IAG's total Q2 revenue came to €8.3 billion, up 8% year-over-year, while its after-tax net result came to €909 million for the June quarter. IAG, which on Aug. 1 withdrew from its proposed merger plan with Air Europa, is the only group of the featured three to have carried more passengers in Q2 2024 than during Q2 2019. The other two are still struggling to show full recovery.

Lufthansa's total Q2 operational revenue came to €10 billion, 7% above Q2 2023. Q2 revenue for Lufthansa's passenger airlines came to €8 billion, up 4.5% year-over-year. Lufthansa Group's Q2 net profit came to €469 million, compared to €881 million in Q2 2023.



Source: Aviation Week Intelligence Network, Aviation Week Network.