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The financial outlook for airlines

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Airlines are ready, but some states are not

CEO INTERVIEW
Air Astana's Peter Foster



SURVIVING THE 2020s

Who will make it through the next decade?



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Duopoly consequences

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The air transport industry will enter the new decade with the ongoing consequences of the two Boeing 737 MAX crashes that killed 346 people.

Those crashes, in Indonesia and Ethiopia, and the subsequent global grounding of a new aircraft variant, sent seismic shockwaves through the industry and the traveling public. Since the March grounding, however, a tragedy turned into a travesty of crisis communications and corporate leadership. It is the latter, not the crashes, that forced the decision by Boeing in mid-December to temporarily suspend production of the MAX, for which it has more than 4,500 orders in backlog.

A lack of transparency, at Boeing and FAA, through much of the year has tarnished the reputations of both. FAA's hesitation to ground the MAX after the second crash and its fumbled explanations for that delay have cost it the title of world leader in aviation regulation. Boeing's relentless focus on fast-tracking the MAX back into service has lost it the trust of its airline and lessor customers, who can no longer take the manufacturer's word on when they will be able to restore their schedules. Many are now also questioning the timelines of the 777X.

How did it come to this? In part, because of the industry's commercial jet duopoly. Reduced competition—and both Airbus and Boeing each have large airline customers that buy only from one or the other—can drive undesirable behaviors. Those seem to have surfaced in the MAX grounding aftermath, where Boeing has appeared to leverage its powerful position as America's only major commercial jet

supplier to understate the seriousness of the MAX fixes.

But even before the grounding—and long before the first crash—duopoly thinking seems to have steered Boeing executives into focusing more on beating their sole competitor, which changed the narrowbody market with its fuel-efficient A320neo, than on scrutinizing the design and training requirements of its new aircraft—a scrutiny that was also lacking at FAA.

New FAA administrator Steve Dickson is handling those deficits with a welcome and overdue transparency and authority. He has stood up to Boeing, and to CEO Dennis Muilenburg in particular, and made clear that the agency is not concerned with service reentry timelines. The priority is on having the right data that fully validate a recertification decision. That's the right call, as was Dickson's statement to Congress that it was a mistake not to include details of the MAX's maneuvering characteristics augmentation system in the aircraft's original training or pilot manuals.

Hard as it will be on airline customers, Boeing employees and the supply chain, it was also the right call to suspend MAX production in January. A global green light from the world's aviation regulators should be the signal to restore production—nothing less.

As with all air transport tragedies, this industry will find the fixes and learn the lessons of the MAX story. That will be a collaborative endeavor. But Boeing's leadership also needs to discipline its fixation on market share and look deeper into itself.



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