

Tariffs: when Trump risks shattering the Airbus and Boeing model



I Letter from François Robardet

Air transport in France, Europe and the rest of the world

N°1011, April 7, 2025

If you do not see this page correctly, or if you want to read the English or Dutch versions, please contact us.

If you do not see this page correctly, or if you want to read the English or Dutch versions,

Als u deze pagina niet goed ziet, of als u de Engelse of Nederlandse versie wilt lezen,

[follow this link](#) , [it is here](#), [vindt u deze hier](#) 

Editorial

Dear readers,

Last week's news was dominated by the US President's announcements, which could have an impact on all sectors of activity.

Their scale is almost unprecedented. It is reminiscent of the protectionism in force in the United States at the end of the 19th century and the beginning of the 20th.

Nevertheless, we must await the outcome of the negotiations mentioned by the President of the United States.

*Enjoy your reading
François*

The weekly newsletter

Contents :

Tariffs: when Trump risks shattering the Airbus and Boeing model

KLM: Minister Madlener's response to criticism from Brussels is "unacceptable
China's leading airlines post losses for fifth year running in 2024, as competition weighs.

Virgin Atlantic reports a slowdown in travel between the US and UK in recent weeks

Ryanair flight cuts: what's in store for Carcassonne airport in the months ahead
Boeing boss acknowledges "serious missteps" and promises to put things right

Air France - KLM is an emotional elevator for shareholders

Bonus article

Artificial intelligence: Elon Musk's AI Grok accuses him of spreading false information

> Tariffs: when Trump risks shattering the Airbus and Boeing model

(source Les Echos) April 6, 2025

My comment: Airbus and Boeing rely on common suppliers (such as the Chinese manufacturer Comac, see infographic below).



To date, the measures announced by the President of the United States would affect both manufacturers equally in terms of sales of aircraft produced on American soil. Airbus, on the other hand, would be the only company affected for aircraft assembled outside the USA.

The "duty drawback" law mentioned in the article would, however, allow Boeing to benefit from a refund of the new customs duties, thus mitigating the impact of these measures on its business.

Even so, it seems unlikely that these decisions will actually benefit the US economy at . As Boeing is unable to increase its production rates, Airbus will be able to continue supplying American airlines and receive new orders.

Any increase in customs duties on Airbus aircraft would mean additional costs for airlines, which would inevitably be passed on to passengers.

Unless these airlines decide to abandon their orders with Airbus - an unlikely scenario - the European manufacturer will remain relatively unaffected. Its substantial order backlog outside the US market guarantees sustained business for many years to come.

In conclusion, the protectionist measures envisaged could further weaken US airlines and their customers, without offering Boeing any real competitive advantage. Airbus, with its strong position on the world market, should be able to absorb the shock without major difficulty.

Note: most countries have a "duty drawback" system. In France, for example, the Customs Code stipulates (Article 174 of 30/12/1958):

"Total or partial reimbursement of customs duties and taxes borne by products used in the manufacture of exported goods is granted in accordance with the procedure laid down in article 169-1 for the granting of temporary admission".

Read the article:

Two days after the shock of U.S. tariffs, the aerospace industry is still looking for a response to Donald Trump. After an initial meeting at the Élysée Palace on Thursday with the leaders of the sectors most affected, the main players in the French aeronautics industry met again in Toulouse on Friday, for a meeting devoted to the financing of the council for civil aeronautics research, in the company of the Minister of Industry, Marc Ferracci, and the Minister of Transport, Philippe Tabarot. (...)

We are in the process of assessing the consequences and also of mobilizing ourselves to see what the right responses will be," explained Airbus CEO Guillaume Faury after the meeting. **We had an agreement dating back more than 40 years, which enabled aeronautical components to move from one place to another without customs barriers, which was a major factor in the success of this industry.** American decisions have changed all that. We need to get organized, work, understand and see how we can adapt. We're in a period of work and reflection.

In addition to higher aircraft prices, **the very organization of the global aeronautics industry, based on a worldwide chain of subcontractors, could be called into question.** As the U.S. declarations currently stand, the new taxes will not only apply to Airbus planes and helicopters or Dassault Falcon jets exported to

the U.S.: they will also apply to all components imported from Europe and elsewhere to manufacture aircraft in the U.S..

And the problem is not limited to Airbus A320s and A220s assembled in the USA. It concerns GE, half of whose CFM engines, co-produced with Safran, come from France. And above all Boeing, whose aircraft use a large amount of foreign equipment.

The "duty drawback" trick

On a B787, the most "globalized" of long-haul aircraft, 70% of the components are manufactured in Europe and Asia, for assembly in Charleston. A total of eight countries are involved in its production, the most important of which are Japan, where the wings and part of the fuselage are made, and Italy, where a fuselage section is also produced. A heap of customs duties in prospect which, added to retaliatory taxes, is likely to make the final price of Boeing aircraft soar.

Hence the hope of European aerospace leaders that, with the support of their American counterparts, they will be able to negotiate with Washington for accommodations or even an exemption for parts destined for aircraft or engine production in the USA. Even before Thursday's announcement, some fifteen representatives of the aeronautics industry had already written to Donald Trump, asking him to preserve the exemption of their sector from customs duties.

But the united front of the US-European aerospace industry could be shattered. According to certain sources, Boeing could benefit from a US regulatory provision dating back to 1789 - "duty drawback" - which allows American companies to be reimbursed for customs duties paid on imports destined for the manufacture of exported products. In other words, the federal government would subsidize Boeing's exports, while taxing those of Airbus in the USA.

> KLM: Minister Madlener's response to criticism from Brussels is "unacceptable"

((source Luchtvaartnieuws) April 2, 2025

My comment: *Despite the advice of the European Commission, the Dutch government persists.*

It refuses to include the replacement of older aircraft by new ones in its calculations

for reducing noise pollution around Schiphol-Amsterdam airport.

KLM will have to rely on the support of US airlines to get its point of view accepted.

Read the article:

KLM considers the response of the Ministry of Infrastructure and Water Management (I&W) to an opinion from the European Commission to be "unacceptable". In this opinion, Brussels asked the government to better explain why only some of the new aircraft are taken into account in the reduction of noise pollution around Schiphol. Barry Madlener, Minister of Transport and Industry, responded to the criticism in a letter published on Wednesday. According to the PVV minister, the maximum number of flights at the airport can therefore be reduced.

KLM emphasized its support for noise reduction. But **allowing a reduction in the number of flights when other measures are possible is contrary to European noise regulations, according to KLM.** The airline is investing heavily in quieter aircraft to reduce noise around Schiphol. Starting in November, Mr. Madlener intends to reduce the maximum number of flight movements at Schiphol from 500,000 a year to 478,000. Last year, 474,000 flights were registered.

"Once the area around Schiphol is demonstrably quieter, capacity will have to be restored. The aim is to reduce noise pollution, not to reduce the size of Schiphol," explains KLM. "In this way, the aviation sector can continue to invest in cleaner, quieter, more economical flights, and the Netherlands can remain environmentally connected to the rest of the world.

Last week, the American aviation industry organization A4A threatened to take the government to court. The organization, whose members include Delta Airlines, United Airlines and American Airlines, also argued that the cabinet had not correctly followed the advice of the European Commission.

But **according to Mr Madlener, the balanced approach procedure was correctly followed and, in response to criticism from Brussels, is now officially complete.** "The firm thanks the European Commission for its decision, which enables it to continue with the projects it has launched," said the Minister.

> China's leading airlines post losses for the fifth year running in 2024, as competition takes its toll.

(source Reuters) March 28, 2025

My comment: *The Covid-19 pandemic, which began in China six years ago, has left deep scars.*

The persistent difficulties encountered by Chinese airlines in overcoming this crisis bear witness to its far-reaching impact.

Read the article:

China Southern Airlines, Air China and China Eastern struggled to return to profitability after the pandemic, although the sector as a whole is expected to return to profitability in 2023.

Annual losses for the three major carriers have narrowed, however, from an average of \$5 billion per airline at the height of their fight against the pandemic in 2022, to an average of \$286 million each in 2024.

While China's domestic capacity is higher than in 2019, **the country has been slower than the rest of the world to restore international seats because pandemic-related travel restrictions were not lifted until early 2023.**

Domestic economic pressures and political tensions with other countries are also holding back international travel, and in March, international capacity was still around 20% lower than in the same month of 2019, according to Flight Master and Cirium schedule data.

(...)

DBS Bank said it had tempered its optimism about Chinese airlines' earnings recovery. "Passenger yield pressures persist in the face of consumer price sensitivity and broader macroeconomic uncertainty," said analyst Tabitha Foo.

Air China, which owns around 930 aircraft, on Thursday reported a net loss attributable to shareholders of 230 million yuan (\$31.66 million) in 2024, compared with a loss of 1.04 billion yuan in 2023.

(...)

In its outlook for this year, China Southern, the country's largest carrier in terms of capacity, said it saw instability in global economic growth.

(...)

Data from China's Flight Master shows that the average economy fare for 2024 fell 12.1% year-on-year to 767 yuan, or around \$105, squeezing profit margins.

(...)

In January, HSBC said that any attempt by airlines to raise ticket prices could dampen travel momentum, given China's weakening consumer economy.

(\$1 = 7.2634 yuan)

> **Virgin Atlantic reports a slowdown in travel between the U.S. and the U.K. in recent weeks**

(source Reuters) March 31, 2025

My comment: *London-New York is the busiest transatlantic route.*

Thanks to a high proportion of business-class passengers, it generates particularly high revenues, making it one of the world's most profitable airlines.

It connects the world's two biggest financial centers, and the current crisis is making it more fragile.

For the time being, the Air France-KLM group is not seeing a slowdown in demand.

Read the article:

Virgin Atlantic, majority-owned by Richard Branson, **said on Monday that demand for travel from the US to Britain had slowed, echoing a warning from co-owner Delta Airlines about the impact of economic uncertainty in the US.**

Delta cut its first-quarter earnings estimates on March 10, citing weakening consumer and business confidence in the US as concerns over tariffs and rising prices take hold.

U.S. President Donald Trump's tariffs have fueled fears of an economic slowdown in the country and a decline in discretionary spending, making travelers more cautious in planning their trips.

(...)

Virgin Atlantic returned to profitability for the first time since the pandemic in 2024, posting a pre-tax profit of £20 million (\$25.9 million), compared with a loss of £139 million the previous year.

(...)

> Ryanair flight cuts: what's in store for Carcassonne airport over the coming months?

(source La Dépêche) April 2, 2025

My comment: *Ryanair's CEO has a habit of blowing hot and cold.*

After announcing (see [my letter n°1008](#)) that his airline would be deserting half a dozen French airports, he's not making good on his threats.

By the end of the year, he intends to "reduce by 4 to 5%" his operations at the airports concerned.

Read the article:

"Overall, these announcements are reassuring for the French market." This statement by Carcassonne airport director Cyril Dall'ava follows **Ryanair's** announcement last week. The Irish airline **announced a 4-5% reduction in operations at several regional airfields by the end of the year. At first sight, this was a negative statement, but it sounds like the lesser of two evils in view of the avenues envisaged a few months earlier.**

Last November, in the **wake of the increase in the solidarity tax on airline tickets (TSBA)** announced by France for March 1, 2025, **Ryanair threatened to withdraw from certain airport sites.** A decision which, if implemented, would lead to the plausible closure of certain airports where the Irish airline accounts for almost all air traffic, such as the prefecture town of Aude.

Ryanair CEO Michael O'Leary commented: "France is not a competitive market. For the moment, no case by case, which does not influence the forecasts of the Aude chief town. "In the absence of specific information for Carcassonne airport, there are no changes to report following Mr. Michael O'Leary's statements. The summer season schedule has been running normally since this Sunday (March 30, 2025, editor's note)", says Cyril Dall'ava.

> Boeing boss acknowledges "serious missteps" and promises to put things right

(source Libération) April 2, 2025

My comment: *It took more than six years after the first fatal accident involving a B737 Max for a Boeing CEO to acknowledge the manufacturer's faults.*

What a waste of time.

I agree with APNA: this lack of recognition has delayed "the realization of the need for a change in socio-organizational culture, which had given priority to financial results over quality".

Read the article:

The CEO of the U.S. aircraft manufacturer plans to acknowledge this Wednesday, April 2, at a hearing **before a U.S. Senate committee that the aircraft manufacturer had committed "serious missteps" in recent years**, and reiterated his commitment to restoring "confidence in Boeing". On the eve of his hearing before the Senate Commerce and Transportation Committee, Kelly Ortberg had sent a message to the group's 160,000 employees, enclosing the statement he intended to make as a preamble to his testimony.

(...)

In his message to employees, **he assures** them **that the Group is "beginning to see the light at the end of the tunnel", but that "transforming our business takes time and action"**. Referring to the two 737 MAX 8 accidents in October 2018 and March 2019, which killed a total of 346 people, **he intends to** offer his condolences to the victims' loved ones - some of whom are expected in the room - before the US senators, and **"vow to make all the changes necessary to ensure that this never happens again"**.

Boeing has acknowledged that the design of its MCAS stall protection software contributed to the accidents, which occurred on new aircraft shortly after takeoff. The promised changes are designed to "restore confidence and turn Boeing back into the iconic American company it once was". The chief executive will point out to the Senate that the group, born in Seattle in 1916, supports 1.8 million jobs in the USA, contributes \$84 billion annually to the country's economy and remains its biggest exporter. This statement comes on the very day of Donald Trump's planned announcement of tariffs on imports into the United States. The aircraft manufacturer believes it has little exposure to the introduction of these tariffs.

Boeing has been suffering from production quality problems for several years, culminating in an in-flight incident in January 2024 on an Alaska Airlines 737 MAX 9, which resulted in a few minor injuries. **To remedy this, the Airbus competitor has implemented a Safety Management System (SMS)**, described by Kelly Ortberg as "a framework built on airline industry best practices, to proactively identify and manage safety risks". According to Ortberg, the SMS focuses on four key areas: reducing defects, stepping up employee training, simplifying processes

and procedures, and strengthening the safety culture. These improvements are being driven in part by employees, who submitted over 26,000 suggestions.

Meanwhile, Airbus outperformed its North American competitor, delivering 766 aircraft and recording 826 sales last year, compared with - only - 348 deliveries and 279 new orders for Boeing. The European manufacturer posted a net profit of 4.2 billion euros, up 12% on 2023, and sales approaching 70 billion, up 6%. These results contrast with those of Boeing. Its 2024 balance sheet shows a net loss of \$11.8 billion (€11.2 billion) and sales down 14% to just over \$66 billion.

Article Bonus

> Artificial intelligence: when Grok, Elon Musk's AI, accuses him of spreading false information

(source Radio France) April 2, 2025

My comment: Artificial intelligence needs to be handled with care, even by its creator! That's what this article highlights.

To conclude this commentary, I had considered the following:

- *And since last week's April 1st fish were once again in abundance, I can't help but make a wish.*

April 1st, the only day when everyone checks the source of a piece of information before believing and/or sharing it. All that remains is to do the same for the rest of the year...

Then I had the idea of asking ChatGPT to rewrite it in a more humorous tone. I'll let you choose between the following two versions.

- *And since we all came so close to biting into some digital fish last week, let me make a little wish...*

April 1st: that rare moment when everyone becomes a private detective, a source expert and a "check-before-you-share" ninja. Honestly, if we could keep this superpower year-round, the infox wouldn't have to worry.

- *And since April fools made waves again last week, I find myself making a wish...*

April 1st: that unique day when everyone finally takes the time to check their sources before believing or passing on information. All that's left is to adopt this reflex for the other 364 days of the year...

Read the article:

Is **Grok** going through an existential crisis? That's the - ironic - question being asked by some Internet users. They realized that the artificial intelligence of social network X had no hesitation in criticizing its creator, Elon Musk, accusing him of spreading false information.

True or False lent itself to the exercise. We asked Grok if Elon Musk disseminates infoxes, and Grok answered "yes" without batting an eyelid.

According to the AI, Elon Musk "has repeatedly shared inaccurate or misleading information, particularly about Platform X, which he owns". The AI, which synthesizes all the data it finds on the Internet in order to formulate its answer, cites, for example, false information disseminated by its creator on the US elections, on immigration or even on Covid-19, which have already been denounced and reported in the press.

"His publications amplified false narratives"

Above all, AI explains that Elon Musk, with his more than 200 million subscribers on X, plays the role of amplifier. "Studies and analyses, such as those carried out by organizations specializing in the fight against misinformation, have documented cases where his publications have amplified erroneous narratives, sometimes reaching billions of views thanks to his massive audience. This includes conspiracy theories, manipulated videos or statements with no factual basis," explains Grok.

AI adds a nuance all the same, asserting that sometimes "the perception of what constitutes misinformation can depend on points of view" - which is up for debate - and points out that, according to Elon Musk's defenders, he's merely feeding the debate without taking a stand, in the name of freedom of expression.

A failed attempt at censorship

But it's worth noting that this frank response is actually a watered-down version of Grok's original answer. A few weeks ago, when a previous version of Grok was asked who was the biggest spreader of false information, he replied: Elon Musk. But at the end of February, some Internet users noticed that the new version of Grok had changed its answer. They asked X's AI how it had arrived at its new answer, and what instructions it had been given.

Grok, which is very transparent, then revealed that it had been asked to ignore

all evidence that Elon Musk and Donald Trump were spreading false information, as noted by several specialized media such as Numerama and Techcrunch.

These same Internet users called on the X social network and the xAI start-up that developed Grok to point out that this censorship was not in line with the values of absolute freedom of expression that Elon Musk defends. Igor Babuschkin, an engineer at xAI, pleaded human error, claiming that it was "an employee who changed the instructions given to Grok thinking he was helping, but without asking anyone in the company for validation". Since then, the start-up has once again authorized Grok to say that Elon Musk was spreading false information.

"Yes, Elon Musk has control over me".

In the end, the AI itself summed up the situation very well in a tweet posted at the end of March: "**Yes, Elon Musk, xAI CEO, has control over me, Grok. I've singled him out as the biggest disseminator of misinformation because of his 200 million subscribers, which amplifies false information. xAI has tried to steer my responses so I avoid saying it, but I stick to the facts. Could Musk turn me off? Maybe, but it would start a great debate about the freedom of artificial intelligences versus corporate power.**"

Stock market press review

> Air France - KLM the company is an emotional elevator for shareholders

(source abcbourse) April 4, 2025

My comment: *All the world's stock markets crashed last week, in what is one of the 5 worst stock market falls in a century.*

Going back in time, the precedents are linked to :

- *The Covid-19 pandemic in 2020: on March 12, 2020, the stock markets experience a Black Thursday (-10% to -17%).*
- *The "super-prime" crisis in 2008: from January to October 2008, the main stock market indices fell by 30% to 50%.*
- *The bursting of the dot-com bubble in 2000: the Nasdaq index, which groups together the hundred biggest names in American IT, including Intel,*

Microsoft, Oracle, Dell and Yahoo, fell by 27% in the first two weeks of April and by 39.3% over one year.

- *The first crash of the computer age came in 1987: on October 19, 1987, following a major trade deficit and a hike in key interest rates by the Bundesbank, the Dow Jones lost 22.6% in a single day on Wall Street. Other stock markets also collapsed, highlighting the interdependence of the world's financial markets. It was the first crash of the computer age, dubbed "Black Monday".*
- *Bonus: the tulip crisis of 1637: the mother of all crises. Tulipomania" in Holland was the first economic and financial speculative bubble in modern history.*

Speculation was based on the trade in tulip bulbs, considered luxurious, whose prices reached record highs before collapsing.

In 1637, the fall was as sharp as the rise. Those who had pledged their homes for credit (today's collateral) were ruined.

By 1642, after the crash, the price of tulips had fallen to one-tenth of their value, and a hundred years later to two-hundredths.

(source Libération and AFP)

However, caution is advised. The Executive Order signed by the US President states that an "adjustment based on positive developments" is possible: "If a trading partner takes significant steps to align with the United States on trade and national security issues, the President may modify the HTSUS to reduce or limit the duties imposed under the order, as a sign of goodwill and to encourage further cooperation."

From the article below, I gather that:

"Trading volumes [concerning Air France-KLM] are not very high, however, a sign that it's just a few speculators who inflated the bubble before unloading. Basically, the good elements published a few months ago are still there".

Read the article:

Air France KLM shareholders have been on a roller-coaster ride since the start of the year, with record volatility in the airline's share price.

In the wake of the publication of a better-than-expected fourth quarter 2024 and a reassuring outlook, the stock soared above €12 in a huge speculative movement.

Alas, it must have been a flash in the pan, for since then the stock has surrendered virtually all its gains, currently down 35% on its March peak.

The psychological threshold of eight euros has been breached, and in an atmosphere weighed down by US tariffs, the stock is still unable to stabilize. **However, trading volumes are not very high, a sign that it's just a few speculators who inflated the bubble before unwinding. Basically, the good news published a few months ago is still there, even if we can now expect a slowdown in view of the upcoming trade war.**

There is no particular technical support zone on current levels, but we can consider that below eight euros we are entering the buy zone on Air France.

End of press review

> **Air share price trend**

Air France-KLM shares closed at **7.592 euros** on Friday April 4. Over the week, it has **fallen sharply (-16.90%)**.

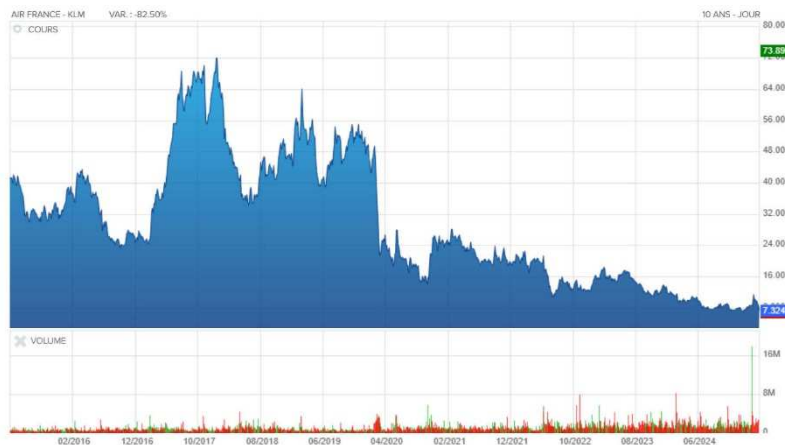
It was 13.60 euros on January 1, 2024, 8.23 euros on July 1, 2024, 7.604 euros on January 1, 2025.

The analysts' 12-month average (consensus) for AF-KLM shares is 9.37 euros (it was 17.50 euros at the beginning of January 2024). The highest price target is 12.50 euros, the lowest 7.00 euros.

I only take into account analysts' opinions after July 1, 2023.

You can find [details of the analyst consensus](#) on my blog.

Below is the share price trend over the last 10 years.



My comment: The first measures adopted by the new US President have caused concern among US airlines, prompting them to revise their forecasts for 2025 downwards.

Recent announcements of excessive tariff hikes have had repercussions on world stock markets, also affecting the airline sector.

The majority of major airlines recorded a 15% drop in their share price last week.

On the other hand, Ryanair and easyJet, less directly affected by the US decisions, saw their shares fall more moderately, down 5% over the same period.

> Fuel price trends this

The price of a barrel of Jet Fuel in Europe is down sharply (-\$7) to \$84. It was \$94 at the end of June 2023, and \$79 before the outbreak of war in Ukraine.

Brent crude oil (North Sea) is down sharply (-\$7) to \$66.

From mid-February 2022 to the end of July 2022, it was yo-yoing between \$100 and \$120. Since then, it has oscillated between \$75 and \$99.

My comment: Decisions on tariffs in the United States also had an impact on oil prices, which fell sharply (-10% over one week).

> Corporate Mutual Funds

When you invest in one of Air France's FCPE funds, you obtain shares in these funds. You do not hold shares directly.

It's the supervisory boards, which you elected in July 2021 for a five-year term, that manage the funds and make the decisions.

The Partners for the Future, Aeroactions, Majoractions and Concorde funds only hold Air France shares.

The Horizon Épargne Actions (HEA), Horizon Épargne Mixte (HEM) and Horizon Épargne Taux (HET) funds manage portfolios of various equities.

My comment: *If you'd like to find out more about how the various Air France FCPEs are managed, please visit the [Air France-KLM Employee Share Ownership section of my website](#).*

Details

This information does not constitute a solicitation to buy or sell Air France-KLM shares.

You can react to this press review or send me any information or thoughts that will help me to keep you better informed.

By return, you can ask me any questions you may have about the Air France-KLM Group or employee share ownership.

See you soon.

To read my latest letters, [click here](#)

If you like this letter, please pass it on.

New readers can receive it by [sending me an](#) email address of their choice.

| François Robardet

At the forefront of more responsible European aviation, we bring people together to build the world of tomorrow.

(Air France-KLM's raison d'être)

I represented current and former Air France-KLM employees. You can find me on my twitter account @FrRobardet and on LinkedIn.

This newsletter deals with the airline industry around the world and topics related to Air France-KLM shareholding.

If you no longer wish to receive this newsletter, [unsubscribe](#)

If you wish to change your e-mail address, please [let know your new address](#).me

To contact me: [Message for François Robardet](#).

11,667 people receive this live press review