

Air France-KLM cuts fares in response to transatlantic slowdown



| Letter from François Robardet

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

N°1012, April 14, 2025

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> **Air France-KLM cuts fares in response to transatlantic slowdown**

(source Déplacements pros) April 11, 2025

My comment: *The decline in bookings between Europe and the United States is widespread.*

According to travel comparator Liligo, some destinations popular with French travelers, such as New York, Los Angeles and San Francisco, have been hard hit,

with search rates ranging from -23% to -26% compared to last year. For the next five months, only July will record a higher search rate in 2025 than in 2024 (+5%). The other months will see significant declines: around -20% from April to June, and almost -15% for August. (source Air Journal)

The succession of contradictory decisions taken by the US President is destabilizing entrepreneurs and investors, who hate uncertainty.

Uncertainty freezes investment and hiring. It's a real constraint and a real worry.

However, as Peter Bernstein points out (in his book "Stronger than the Gods: The Remarkable Story of Risk"), uncertainty sets us free: it assures us that we are not prisoners of a future written in advance, or of a cyclical world where everything is just repetition.

Read the article:

Air France-KLM has decided to cut its economy class prices on transatlantic flights after seeing a slowdown in bookings. "We're seeing a slight slowdown in bookings for economy class seats, but when we lower prices just a little, volumes come right back," Benjamin Smith, the group's chief executive, told Bloomberg News.

This situation does not affect premium cabins, for which demand remains stable, according to the executive. The phenomenon is affecting sales in both Europe and North America, but the Group is maintaining its financial projections for the current financial year for the time being.

While **the carrier is** having to adjust its rates downwards, it is **benefiting from the fall in oil prices**. "Falling oil prices are a big plus for us. I haven't seen them this low in a long time", enthused the CEO. This saving could partially offset the impact of price cuts on margins.

(...)

This adjustment strategy comes at a time when Delta Airlines, Air France-KLM's American partner, has just revised its second-quarter forecasts downwards, citing "an environment of slower growth".

> French pilots in the KLM cockpit

(source Upinthesky) April 12, 2025

My comment: *Although presented as temporary, this situation represents a turning point for the Air France-KLM group.*

When the group was created in 2004, KLM had obtained a "production balance" agreement, setting out a balanced distribution of activity between the two airlines.

The aim was to preserve the respective weight of Air France and KLM as it existed at the time of their merger, i.e. around two-thirds for Air France and one-third for KLM.

The aim was to prevent one airline from growing at the expense of the other.

This agreement, signed by both airlines and the pilots' unions (the SNPL on the Air France side and the VNV on the KLM side), regularly necessitated fleet adjustments, sometimes in favor of one airline, sometimes in favor of the other.

However, it was never envisaged that pilots from one airline would take control of an aircraft belonging to the other.

KLM's persistent difficulties since the end of the health crisis have finally broken this taboo.

Read the article:

This summer, **Air France pilots will be deployed for the first time to operate KLM flights on a Boeing 777**. This is what De Telegraaf reports, based on internal communications from Air France. The French pilots will be based in New York, from where they will fly daily to Amsterdam aboard a KLM aircraft and Dutch cabin crew. This is an exceptional measure, designed to support KLM during a period of structural staff shortage.

According to the VNV pilots' union, the parent company Air France-KLM is acting in this way to secure substantial revenues during the summer season. **This cooperation is necessary because, otherwise, part of the KLM fleet will remain unused over the coming months**. The shortage of flight crews means that KLM is unable to serve its entire intercontinental network, the segment that generates the most profits.

KLM is unable to make full use of its long-haul fleet, despite an additional 25 million euro reward plan. It is estimated that 10% of its long-haul aircraft are grounded. This not only results in a loss of earnings, but also increases the risk of losing slots.

The exchange of pilots between the two sister airlines was made possible thanks to the authorization of the French and Dutch unions. By temporarily deploying French pilots, KLM can still fly these aircraft, and valuable slots are preserved. The VNV stresses that formal agreement on this measure has not yet been obtained.

The cooperation between KLM and Air France is not limited to this summer operation. **There is also talk of deploying 16 Air France Airbus A350 pilots as instructors at KLM, ahead of the planned introduction of this aircraft type at the Dutch carrier in 2027.** At the same time, the French pilots have indicated that they would also like to gain experience with the Boeing 777, in order to establish a fair exchange.

Regional cooperation is not to be outdone. For example, Air France subsidiary HOP! is being used to partially offset KLM's flight cancellations in June. Because of the NATO summit, KLM had to temporarily cancel some flights, but due to a lack of available staff, it was not possible to make up for them all. KLM's Embraer aircraft are therefore temporarily leased to HOP!, which deploys them with its own cockpit and cabin crew.

Air France emphasizes that this cooperation is crucial to KLM's future. The Dutch government wants to reduce the number of flights at Schiphol because of environmental and noise pollution. If KLM does not make full use of its slots, they could be withdrawn permanently.

> **KLM jobs under threat**

(source Upinthesky) April 9, 2025

My comment: Since emerging from the health crisis, KLM has been struggling to get back on track.

One of the main reasons for this is the different strategies adopted by the French and Dutch governments during the pandemic.

France implemented the Long-Term Partial Employment scheme (APLD) to preserve jobs, while the Netherlands preferred to compensate for operating losses, in return for imposing a reduction in headcount to keep costs down.

Today, KLM is suffering from a shortage of pilots - as mentioned in the previous article - but also of mechanics.

Faced with this situation, at the end of last year the company launched its "Back on Track" plan, an ambitious turnaround program aimed at improving its operational and financial performance.

In particular, it includes increasing productivity, simplifying the organization, reducing costs and postponing certain investments.

Read the article:

KLM is on the verge of a series of redundancies. This was confirmed to De Telegraaf by Mark Rademaker, President of the KLM Professionals' Association. The airline is **experiencing financial difficulties, and may be forced to cut 250 jobs.**

The first steps towards these redundancies have already been taken. However, Rademaker believes the airline is taking the initiative. Colleagues have already been informed that their jobs will disappear, while the works council has not yet formulated an official opinion on which jobs will disappear," says Rademaker. Before a forced departure plan is implemented, he also wants to discuss a social plan and internal redeployment with the unions.

There is growing unrest at KLM, as management is said to want to rapidly reduce the number of "support" functions. **To guarantee investments in the new Airbus fleet, the airline is aiming for an additional profit margin of 450 million euros.** This amount is to be achieved, among other things, by cost savings through staff reductions, but also by increasing operational capacity through additional flights.

Since the financial crisis, KLM has lagged behind Air France in financial terms, whereas the French branch was the problem child in previous years. The fact that it is doing less well also means that KLM is in a weaker position within the partnership and vis-à-vis executive Ben Smith. The latter had already hinted that the contraction of Schiphol would lead to a reduction in the number of jobs at KLM.

> Aviation sector goes to court against Schiphol downsizing

(source Luchtvaartnieuws) April 10, 2025

My comment: *Discussions between KLM and the Dutch government have failed to produce a consensus on how to reduce nuisance around Schiphol-Amsterdam airport.*

KLM has been forced to take the matter to court, with the support of the entire aviation sector.

Read the article:

BARIN, IATA, the KLM Group, Delta, TUI, the cargo organization ACN and Airlines for America are filing a summary action against the Dutch state (the government) before the Haarlem District Court on Monday April 14, to stop this illegal reduction in aircraft movements. It is alleged to violate European laws and regulations.

According to Aviation, the Ministry of Infrastructure and Water Management and Minister Madlener have failed to follow the balanced approach procedure correctly, ignoring the objections of the European Commission.

"We object to the fact that capacity at Schiphol is likely to be restricted in violation of the law from winter season 25/26 onwards," Marnix Fruitema, president of BARIN, told Aviation News. The request concerns the reinstatement of the 500,000 takeoff and landing ceiling, including 32,000 night flights.

"The cabinet must first fill the gaps identified by Brussels. For example, full fleet diversification, fare differentiation and operational measures must be included in noise reduction plans before the maximum number of flights can be reduced," said Fruitema.

KLM's response

"Despite all our efforts and the billions of investments made to offer quieter, cleaner and more fuel-efficient flights and to save at night with quieter aircraft, the Ministry of Labor insists on reducing the number of flights at Schiphol," said a KLM spokesperson. **"The criticism in the European Commission's decision of the Netherlands' balanced approach is being ignored. This is unacceptable, which is why we, along with several other parties in the aviation sector, are initiating interlocutory proceedings.** KLM too can do nothing more for its future prospects than to take legal action against the Minister's decision". KLM too can do nothing more for its future prospects than to take legal action against the Minister's decision."

> Spain, Portugal, Morocco... Transavia prepares a new growth spurt at Orly

(source Les Echos) April 10, 2025

My comment: *Transavia France's business model is based primarily on operating routes of more than two hours' flight time.*

In five years, the company has more than doubled the size of its fleet, a rapid expansion that has been accompanied by major challenges.

Among them, the takeover of Air France's domestic routes, some of which are barely an hour long, represented a real change of direction.

Despite these constraints, Transavia France came close to breaking even in 2024.

However, the growth phase is far from over: from next year, the company will have to take over the routes of the former Air France shuttles, notably those to Toulouse, Nice and Marseille.

Read the article:

It's going to be a hot summer at Transavia France. **Following its 10% growth in 2024, Air France's low-cost subsidiary is forecasting a further 20% leap this year, with 12 Airbus A320s and a dozen additional destinations.** This should enable it to approach 17 million passengers by 2025, compared with 14 million last year, and to overtake Ryanair as France's leading low-cost airline.

This double-digit growth represents an operational challenge for Transavia France. The company has gone from 40 aircraft and 7 million passengers in 2019 to 87 aircraft this summer, and must at the same time manage the replacement of its Boeing 737s with Airbus A320s. But Air France's apple-green subsidiary has no choice. Its parent company is counting on it to take over all the slots freed up at Orly by its gradual withdrawal. This withdrawal will be completed in the summer of 2026, with the transfer to Transavia France of services to Nice, Toulouse and Marseille.

(...)

Unlike others, Transavia has not suffered any delays in deliveries of its new Airbus A320 Neo, of which it has already received 19 of the 100 ordered in January 2024. Deployed at Orly, they will enable Transavia to save 16% to 17% on fuel consumption, compared with the Boeing 737-800, and to meet new noise constraints.

Above all, traffic growth continues to support Transavia France's growth.

(...)

While Air France's business at Orly was predominantly domestic, Transavia's is essentially focused on major European and Mediterranean tourist destinations. "Our main destinations are Spain, Portugal, Morocco, Greece, Tunisia and Algeria," explains Nicolas Hénin. Domestic flights account for "only 10% to 15% of traffic", and are currently limited to four routes (Perpignan, Toulon, Biarritz and Montpellier), following the abandonment of Brest and Pau.

Transavia France's business also remains very Paris-centric. **Of the 87 aircraft planned for this summer, only 17 will be based outside Orly, in Marseille (2 to 3), Lyon (5 to 6), Nantes (5 to 6), Montpellier (1) and Bordeaux (1).** "In the provinces, we seize opportunities as long as we manage to be profitable, as in Bordeaux after Ryanair's departure", explains its deputy general manager.

But that doesn't mean we can't experiment boldly. After successfully testing service to Jeddah this winter, Transavia plans to add a second Saudi destination - Medina - to its winter schedule. Cape Verde, Senegal and Egypt were also very successful this winter. "However, we will not be maintaining our Dubai service next winter," explains Nicolas Hénin.

To increase the utilization of its aircraft, some of which already fly more than 12 hours a day at peak times, and to get around the problem of the curfew at Orly, **Transavia will also be experimenting with night flights**, known as "red-eyes", **this summer**. For example, we'll have a flight arriving in Istanbul at 2 a.m. and departing at 4 a.m.," explains Nicolas Hénin. These night flights are sold for less, but we still save on costs.

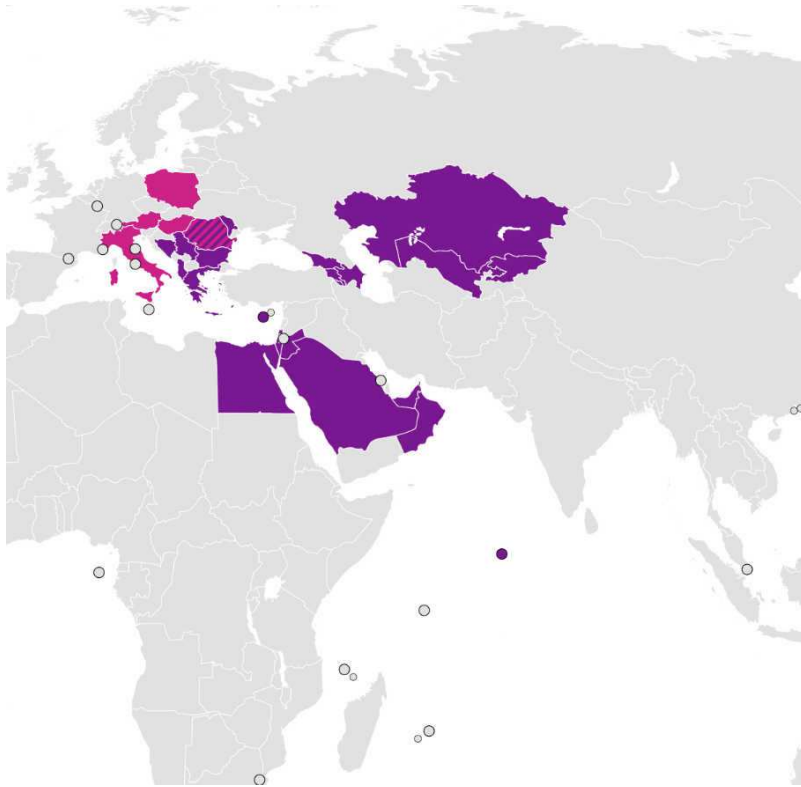
The ultimate challenge for Transavia France, however, remains to achieve financial equilibrium at the end of this strong growth, which should take it to a fleet of 100 aircraft by 2028. If Transavia as a whole, comprising Transavia France and Transavia Holland, has posted a modest profit of three million euros in 2024, on sales of 3 billion euros, it's thanks to its big Dutch sister. For the time being, however, Transavia France's deputy general manager is unable to give a date.

> 14 billion euros, the incredible amount Wizz Air is putting on the table to become Ryanair's equal

(source Clubic) April 11, 2025

My comment: Wizz Air rivals Ryanair for the title of ultra-low-cost leader on short-haul flights.

Since April 2021, the Hungarian airline has broadened its horizons by launching Wizz Air Abu Dhabi, its subsidiary operating outside Europe with a fleet of 12 aircraft.



Wizz Air has now set itself a bold challenge: to establish itself in the low-cost long-haul segment.

Until now, only French Bee and Level (a subsidiary of the IAG group) have attempted this adventure from Europe, with mixed results, especially for Level.

Read the article:

Low-cost airline Wizz Air, which operates in just five French cities (Lyon, Paris, Nice, Grenoble and Bordeaux), **has just announced an ambitious £12 billion (approx. €14 billion) investment plan. This considerable sum, equivalent to three years' revenue, will be used over the next three years not only to expand the carrier's fleet, but also to modernize its services using digital technologies.** The Hungarian company's aim is to catch up with giants such as Ryanair.

Wizz Air, aware of the fierce competition (Ryanair, easyJet), is counting on rapid growth and the acquisition of 50 new aircraft during the current fiscal year, which will help it increase its fleet by 20%. **These new aircraft, including Airbus A321XLRs, will enable Wizz Air to expand its network without difficulty, with long-haul flights to India, the Middle East and, eventually, Central Asia and Africa.**

With ambitions beyond the Old Continent, Wizz Air is not content to simply expand its fleet. **At the same time, it is deploying artificial intelligence tools for its pilots to optimize flight routing.** This technology will not only reduce fuel

consumption, but also minimize delays, thus improving overall operational efficiency both on the ground and in the air.

Pinpointed by Which? magazine in 2023 as a short-haul laggard, and condemned by the UK Civil Aviation Authority in January 2024 for reimbursement problems, **Wizz Air has since redoubled its efforts to rectify its image**, as Business Travel explains.

The flagship project of Wizz Air's digital transformation will be launched this summer, with a new functionality based on its MyJourney mobile application. This will enable passengers to track their journey in real time, with instant access to all relevant information concerning their flight. Wizz Air hopes that the redesign of its application will speed up the user experience.

The digitization of services is accompanied by concrete commitments, such as the processing of requests for refunds or compensation in less than seven days. This promise, made possible by the automation of processes, **marks a break with the previous practices that earned the company a place at the back of the pack among short-haul carriers, and a financial penalty in the process.**

Yvonne Moynihan, one of Wizz Air's directors, asserts that "product, price, service and communication are the areas in which our customers will feel the most difference". The company will be financially backed by Indigo Partners LLC, owner of Frontier Airlines and Volaris.

> European air transport burdened by \$10 billion in additional regulatory costs

(source Les Echos) April 9, 2025

My comment: *By 2024, the combined annual sales of Europe's leading airlines (Ryanair, easyJet, IAG Group, Lufthansa, Air France-KLM, Wizz Air, Air Europa and Volotea) will total 132 billion euros.*

Additional regulatory costs, estimated at 10 billion euros, account for around 7.5% of these sales. While this percentage may seem low, it does not take into account airport charges, which also weigh heavily on airline costs.

This regulatory burden is all the more worrying given that French airlines' margins rarely exceed 5%.

Any further increase in taxation could seriously undermine their economic equilibrium, especially as their competitors outside Europe are not subject to the same constraints.

For several years now, the European Commission has been seeking to introduce a tax on kerosene. In tax matters, however, unanimity in the Council is required.

Three Member States - Greece, Malta and Cyprus - have opposed the abolition of the total tax exemption, even calling for a permanent exemption, even when the Commission's initial proposal provided for a tax rate of 0.036 euros per liter.

If this rate were to be applied, it would cost the Air France-KLM group almost 400 million euros a year.

Read the article:

Europe's airlines are worried about their future. Between the bill for the energy transition, regulatory obligations, tax hikes and additional costs generated by poor traffic management, the already considerable costs of air transport in Europe are set to increase significantly between now and 2030, **according to a report by consulting firm Steer**, published on Tuesday.

According to the report, carried out on behalf of the 11 member airlines of Airlines for Europe (A4E), **Europe's leading airlines, including Air France-KLM, IAG, the Lufthansa Group, EasyJet and Ryanair, will have spent a total of 9.9 billion euros by 2024 to comply with European and national environmental and tax regulations.** Charges specific to Europe, which their international competitors are largely spared

If we add to this the inefficiency costs of air transport in Europe, mainly generated by the fragmentation of air traffic control, the total extra cost for these airlines would even reach 15.5 billion euros. That's an average of 30 euros per passenger, which can represent more than half the ticket price on intra-European flights.

These regulatory surcharges have risen at an annual rate of 11% since 2014 (excluding inefficiency costs), while passenger traffic in Europe has increased by just 4% over the same period. But according to Steer forecasts, **compliance and taxation costs are set to double again over the next five years**, reaching 19.1 billion euros by 2030.

By the same date, the costs of inefficiencies are set to reach 8.5 billion euros, mainly due to the ever-increasing number of air delays in Europe, but also to inefficient flight paths and, to a lesser extent, the inadequacies of the airport charges directive.

The most significant cost driver remains environmental regulations, whose bill is set to rise by a further 6.2 billion euros over the next six years. This is mainly due to the obligation to incorporate an increasing percentage of sustainable aviation fuels (2% in 2025, 6% in 2030), which will represent an additional burden estimated at 3.53 billion in 2030.

But also because of other European decisions, such as the various reporting obligations for greenhouse gas emissions per flight and per passenger. And above all, because of the abolition, in 2026, of free allowances, as part of the European Emissions Trading Scheme (ETS) initiated in 2012. In 2024, A4E member airlines purchased 2.2 billion euros worth of emissions allowances, while free allowances still accounted for 85% of their 2023 emissions.

None of the world's other major air transport markets has imposed such burdens on its airlines, as the Steer report points out. Mandatory incorporation rates for sustainable aviation fuel do not exist in North America or China, nor do emissions permits.

The second factor driving up costs is the increase in taxes of all kinds on air transport. In 2024, these totalled 3.176 billion euros. The report estimates that they will rise by a further 1.4 billion by 2030. However, the situation varies greatly from country to country.

Within the European Union, 16 out of 27 countries do not apply a specific air tax. On the other hand, the champions of aviation taxation, Germany, the Netherlands and France, have a field day. France alone plans to levy a billion euros on air travel this year.

And Brussels is not to be outdone. **In particular, the European Commission has proposed applying a VAT rate of 3% to 8% on all intra-European flights from 2027. For the time being, only a few countries, including France, apply VAT to their domestic flights, but not to intra-European flights.**

All these additional costs will necessarily translate into higher air fares, the report points out. The amount, which has already risen from 13.6 euros to 30.3 euros per passenger between 2014 and 2024, could climb to 48.6 euros per passenger by 2030. This is equivalent to the current average price of a Ryanair ticket. This would significantly reduce passenger growth.

End of press review

> Air share price trend

Air France-KLM shares closed at **7.444 euros** on Friday April 11. Over the week, it is **down (-1.95%)**.

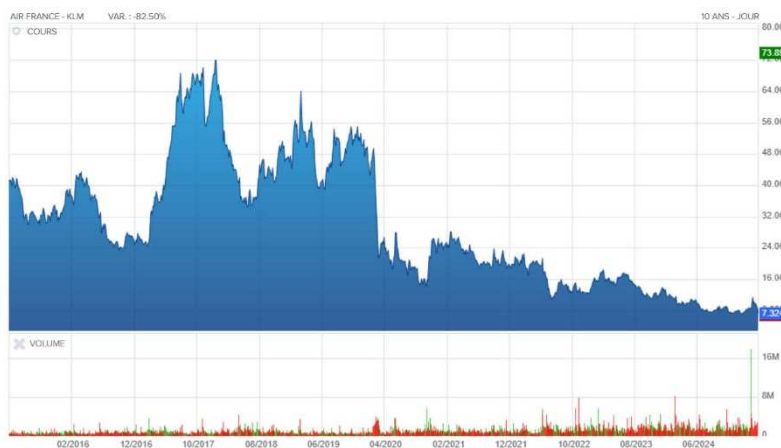
It was 13.60 euros on January 1, 2024, 8.23 euros on July 1, 2024, 7.604 euros on January 1, 2025.

The analysts' 12-month average (consensus) for AF-KLM shares is down to 8.88 euros (from 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: Last week, four analysts lowered their valuations on Air France-KLM (Alpha Value, Bernstein, JP Morgan and Morgan Stanley).

In particular, JP Morgan believes that European airlines are not taking sufficient account of a large-scale global financial crisis scenario.

> Fuel prices this

The price of a barrel of Jet Fuel in Europe is down (-\$2) to \$82. 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 (-\$1) to \$65 per barrel.

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 (-11% over two weeks).*

> **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](#)

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New readers can receive it by [giving me](#) the 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.

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