

Air France-KLM CEO's warning against France and Europe



I Letter from François Robardet

Air transport in France, Europe and the world

N°1020, June 9, 2025

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Editorial

Dear readers,

I would like to extend my warmest thanks to the shareholders who, as last year, entrusted me with their mandates to represent them at the Air France-KLM Annual General Meeting held last Wednesday.

There were no major announcements at this General Meeting.

The situation of the Air France-KLM group can be described as acceptable. While Air France has recovered, Transavia (at breakeven) and KLM (still struggling) will have to significantly improve their results over the next few years.

As you will read in this letter, particular attention will be paid to achieving the Group's decarbonization objectives, mainly through the use of sustainable aviation fuels.

Thank you for your trust and loyalty.

Happy reading!
François

The weekly newsletter

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> Air France-KLM boss warns against France and Europe

(source Les Echos) June 2, 2025

My comment: *At Air France-KLM's Annual General Meeting last Wednesday, Ben Smith reiterated his message about the heavy regulatory constraints imposed on European airlines. These rules, while well-intentioned, create a distortion of competition that is difficult to overcome in the face of non-European players.*

This situation is all the more paradoxical given that Air France-KLM has for several years been one of the groups most committed to decarbonizing air transport.

Ben Smith rightly pointed out that the development of sustainable aviation fuels (SAF) is a real "chicken or egg" dilemma: without sufficient demand, producers won't invest, and without sufficient supply, airlines will struggle to make a massive commitment.

As early as 2019, I worked within the Board of Directors to ensure that Air France-KLM adopted an exemplary approach to the climate emergency.

Today, although the Group accounts for just 3% of global air traffic, it alone consumes 16% of the sustainable aviation fuel produced worldwide (2024 figures), in perfect keeping with its raison d'être: "At the forefront of more responsible European aviation, we bring people together to build the world of tomorrow."

Unfortunately, few companies have followed this path, which has led to a certain reluctance on the part of sustainable fuel producers.

It is now up to the regulatory authorities, particularly governments, to assume their responsibilities. Rather than resorting to purely restrictive mechanisms, they must introduce incentives to support the transition of the airline sector.

Read the article:

At every general meeting of the International Air Transport Association, the same observation is made. While airlines in emerging markets are posting double-digit growth and multiplying their aircraft orders, **European airlines give the impression of trying to stay in the race, with their feet firmly on the ground.** A sentiment that the CEO of Air France-KLM backed up on Monday.

We have no problem with the growth of other airlines, as long as the same constraints apply to all of them and not just to us," explains Benjamin Smith. But this is unfortunately not the case. Instead of aligning themselves with our interests, as the governments of fast-growing airlines do, the policies of France and the European Union put European airlines at a disadvantage, to the benefit of our competitors".

In the crosshairs of the Air France-KLM CEO are the heavy fiscal and environmental constraints imposed on European airlines, with no equivalent among their main competitors.

For a trip from Nice to Tokyo with a connecting flight, we are subject to environmental taxes on the Nice-Paris and Paris-Tokyo routes, while Turkish Airlines only pays on the Nice-Istanbul flight," he explains. Europe needs to find a way to correct this imbalance.

(...)

Another complaint from the CEO of Air France-KLM, this time directed at the French authorities: **the traffic rights granted to foreign airlines, mostly based in the Gulf, in exchange for Airbus orders.**

When Air France orders Airbus, it creates jobs in France, not only to manufacture them, but also to operate them," he points out. But when it's a foreign airline that buys Airbus and obtains additional traffic rights, that risks translating into a transfer of activity, to the detriment of some employment in France."

(...)

While Air France-KLM's traffic continues to grow, thanks to rising global demand, the growth of its main competitors is considerably higher.

Between 2005 and 2024, Air France-KLM's long-haul seat capacity increased by 14%. But over the same period, Turkish Airlines' seat capacity increased by 756%, Emirates' by 357% and Qatar Airways' by 914%, according to data collected by Air France-KLM.

Added to this is the even stronger growth of low-cost airlines in Europe, which Benjamin Smith also considers unfairly favored by the European Commission. From 2005 to 2024, Ryanair's offer increased by 570% and easyJet's by 349%, while Air France-KLM's medium-haul offer fell by 6%.

The Air France-KLM CEO insists: "This doesn't stop Ryanair from going to Brussels to demand compensation in the name of competition for every consolidation operation we want to carry out. The concessions demanded can be so costly as to cause the operation to fail, as was the case with IAG and Air Europa."

It's frustrating to see that we lack the leadership in Europe to enable us to compete on equal terms with the competition," continues the Air France-KLM CEO. **We were ahead in air transport, and now we're jeopardizing what we've built. If we don't change our policy, France and Europe risk reaching a point of no return,**" added Benjamin Smith.

> Why Air France-KLM has chosen former minister Florence Parly as its president

(source Le Figaro) June 3, 2025

My comment: First of all, I'd like to make a correction to the article in question, which omits two important presidencies in the history of Air France-KLM: that of Jean-Cyril Spinetta, the group's first president between 2004 and 2008, and then that of Pierre-Henri Gourgeon, in office from 2009 to 2011.

It is also worth looking back at the events of 2018, which marked a turning point in the Group's governance.

At the time, in an attempt to resolve a labor dispute with Air France staff, CEO Jean-Marc Janaillac chose to submit his turnaround plan to employee consultation.

When this plan was rejected, he decided to step down.

Faced with a *fait accompli*, the Air France-KLM Board of Directors had to urgently find a successor.

The profile sought was a veritable "five-legged sheep", requiring both

- in-depth knowledge of the airline industry - to turn around Air France - ,
- an ability to manage the often complex relations between Air France and KLM,
- and the diplomatic ability to negotiate with the main shareholder at the time, the French state (the Dutch state had not yet taken a stake).

As no candidate met all these criteria, the Board of Directors decided to separate the functions of Chairman and Chief Executive Officer.

I have no regrets about supporting this decision.

Appointed Chief Executive Officer, Ben Smith and his team have succeeded in easing internal tensions and initiating Air France's turnaround.

For her part, Anne-Marie Couderc, as Chairman, played an effective role as arbiter between the French and Dutch sensibilities, even after the Dutch state's surprise entry into the Group's capital.

New governance was then introduced at the head of Air France, with Anne Rigail, and KLM, with Marjan Rintel.

Relations between the two companies have calmed down, enabling a return to smoother cooperation and better execution of joint decisions.

The task facing Florence Parly, the new Chairman of the Board of Directors and successor to Anne-Marie Couderc, nevertheless promises to be a difficult one.



She takes up her post at a time when relations with the supervisory authorities are particularly sensitive.

The latter are struggling to provide effective support for the development of sustainable aviation fuels, but on the other hand seem always ready to imagine new taxes on their own national airlines.

Read the article :

The script has been written for over a month. **Florence Parly is to succeed Anne-Marie Couderc as non-executive Chairman of Air France KLM. She will team up with the Group's CEO, Ben Smith.** "This appointment will take effect at the end of the 2025 General Meeting convened to approve the financial statements for 2024, which will be held on June 4," the group stated in a press release on April 29. **A**

two-headed governance structure that has not always existed at Air France-KLM. Jean-Cyril Spinetta (2011-2013), Alexandre de Juniac (2013-2016) and Jean-Marc Janaillac (2016-2018) concentrated all powers when they ran the company. They were simply CEOs.

If an alternative model has since emerged, it's because something else had to be tried after a period marked by chaos between 2015 and 2018: repeated strikes by pilots, the shirt torn off Air France's HR director by unionists and Jean-Marc Janaillac's resignation after his lost referendum (...) **Anne-Marie Couderc**, who was an independent director of the group, became interim president in mid-2018," recounts a source close to the matter. In the end, she **will have held the position for seven years.**

And when the time came to find her successor, **no one envisaged a single CEO calling the shots at Air France-KLM.** Especially with a CEO, Ben Smith, who is a great air transport professional, but lacks the fine knowledge of the arcana of French power because he is Canadian. **There's a very clear division of labor in this pairing,"** explains Arnaud Aymé, a transport specialist with the consulting firm Sia. **The CEO implements the group's strategy. The President liaises with the shareholders, in particular the French State,** which is the largest shareholder with 28% of the capital". Air France, the Group's main airline, is more than just a company in which the public authorities have invested on a temporary basis. It is an object of pride for the French, who are attached to their national airline. But it is also a tool of economic sovereignty, linking France to the rest of the world.

It's hardly surprising that Anne-Marie Couderc and Florence Parly have similar profiles: both have been ministers, albeit not in the same camp or with the same clout. Anne-Marie Couderc was Minister of Employment in the Juppé governments between 1995 and 1997. Florence Parly held government posts at two times: from 2000 to 2002 as Secretary of State for the Budget, with Jospin as Prime Minister; then from 2017 to 2022, when she was Minister of Defense during Macron's first term. Both of these women have also been involved in the corporate world. Florence Parly was already at Air France and SNCF, where she held management positions. Anne-Marie Couderc worked for Hachette Filipacchi and Presstalis, the company responsible for distributing the press to newsagents.

Florence Parly's first priority will be to ensure that the government does not further increase the tax burden on air transport," says Arnaud Aymé. The sector has already paid a heavy price with the increase in the TSBA (tax on airline tickets, editor's note) this year and the creation of the transport infrastructure operating tax in 2024. The Ambition France Transport conference to be held between now and the summer, tasked with finding new sources of funding, should not penalize the sector any further."

Anne-Marie Couderc's work hand in hand with the French government was

particularly noteworthy during the Covid. She played a decisive role on that occasion," former French Minister of the Economy Bruno Le Maire tells Le Figaro. Very quickly, we came to the same conclusion: either the French government guaranteed loans worth several billion euros, or Air France was finished. And she convinced me that the upmarket strategy implemented by Ben Smith would enable these loans to be repaid." Indeed, by April 24, 2020, Air France had benefited from a €3 billion loan and €4 billion in state-guaranteed bank loans. Its repositioning on a more premium segment enabled the group to return to profit as early as 2022 (+728 million) and the French airline to have repaid all its loans by March 2023.

> **Amsterdam-Schiphol to raise airport taxes by 37% over three years**

(source Air Journal) June 7, 2025

My comment: *An unprecedented level of increase has been confirmed.*

Note that only the +41% increase for 2025 has been confirmed. Final tariffs for 2026 and 2027 will be officially set in the next two years. They could still be affected by future regulations and external factors.

It remains to be seen whether the planned reduction in activity at Amsterdam-Schiphol will be maintained.

This is a decision for the government.

It is likely to be postponed until next year: the Dutch government has just been overthrown, and new elections are due to be held in the autumn.

Read the article:

To reflect the impact of inflation and high interest rates, **airlines at Amsterdam-Schiphol will pay an average of 15 euros more per departing passenger in 2027 than they do today**, according to a press release from airport operator Royal Schiphol Group. **In concrete terms, charges will rise by 41% next year, by 5% in 2026 and then fall by 7.5% in 2027. All in all, 37% over three years!**

Royal Schiphol Group also indicated that it would use the budget raised to reduce noise pollution, and that night flights would be subject to additional charges. **"Fares for quieter aircraft will be cheaper, while older, noisier aircraft will cost airlines more (...)** There is a category of aircraft that make so much noise that they will be

banned from 2025 onwards," Royal Schiphol Group said.

In addition to offsetting inflation, **the increase in airport taxes will help finance certain expansion and modernization projects**. The airport in the Dutch capital plans to invest €6 billion between now and 2029 in what it called the biggest investment plan in its history. "With these costs, Schiphol is making possible the necessary investments in good infrastructure, better services for passengers and airlines, and improved working conditions," said Robert Carsouw, Chief Financial Officer (CFO) of Royal Schiphol Group.

Amsterdam-Schiphol is the home base of KLM, a strategic partner of Air France. **Marjan Rintel, President of KLM, protested against such an increase: "Schiphol is largely passing on the extra costs of delays and budget overruns to the passenger**. More expensive tickets are inevitable if airport taxes are increased so drastically. It's unreasonable and reckless. Unreasonable, because Schiphol is passing on the costs of all delays and overruns to the airlines. Unwise, because by doing so, the airport is compromising its competitive position as an international hub. **This poses risks for the hub function, the connectivity of the Netherlands and our economy"**.

> Air France launches its new cadet campaign

(source Journal de l'Aviation) June 2, 2025

My comment: *The pilot recruitment campaign launched by Air France looks promising.*

It has to be said that the talent pool in France is particularly large, which is a real asset for the company.

The situation is very different in the Netherlands, however.

KLM, one of the country's leading employers, is virtually the only company to recruit pilots and aircraft mechanics there.

This unique position considerably complicates its recruitment efforts in these highly specialized professions.

These difficulties contribute in part to the slowness with which KLM is returning to its pre-Covid crisis level of activity and performance.

Read the article:

Air France's new cadet campaign kicks off. From June 2 to July 15, candidates for the position of airline pilot officer can apply for the royal road to the cockpits of the French airline.

The cadet program is aimed at candidates with a passion for aeronautics, with or without previous flying experience. Following a rigorous selection process, 80 to 100 cadets will be selected to begin a 24-month theoretical and practical training program, provided by partner schools and fully funded by the company. If they successfully complete their training, they will be able to take the controls of a single-aisle aircraft as an airline pilot officer, and will thus be integrated into the qualification course on Air France's Airbus A220 or A320, or on Transavia's Boeing 737 or A320neo.

Air France points out that more than 300 pilots have joined Air France and Transavia France through the cadet scheme since it was relaunched in 2018 - despite a suspension during the health crisis.

The company also points out that this stream is open to all, and encourages diversity and feminization. By 2024, 25% of cadet pilots will be women (compared with 9% of the current pilot workforce).

To keep aspiring cadets fully informed about the selection process and the training course, Air France is organizing two webinars on June 5 and 11 at 6 and 6.30pm respectively, in partnership with the Fédération Française Aéronautique (FFA) and the Fédération Française de Vol en Planeur (FFVP). Information on admission and training requirements is also available on the Air France website.

> Air France-KLM signs memorandum of understanding to establish strategic cooperation with Riyadh Air

(source Agefi) June 2, 2025

My comment: *Riyadh Air is a new Saudi airline, scheduled to start operations at the end of 2025.*

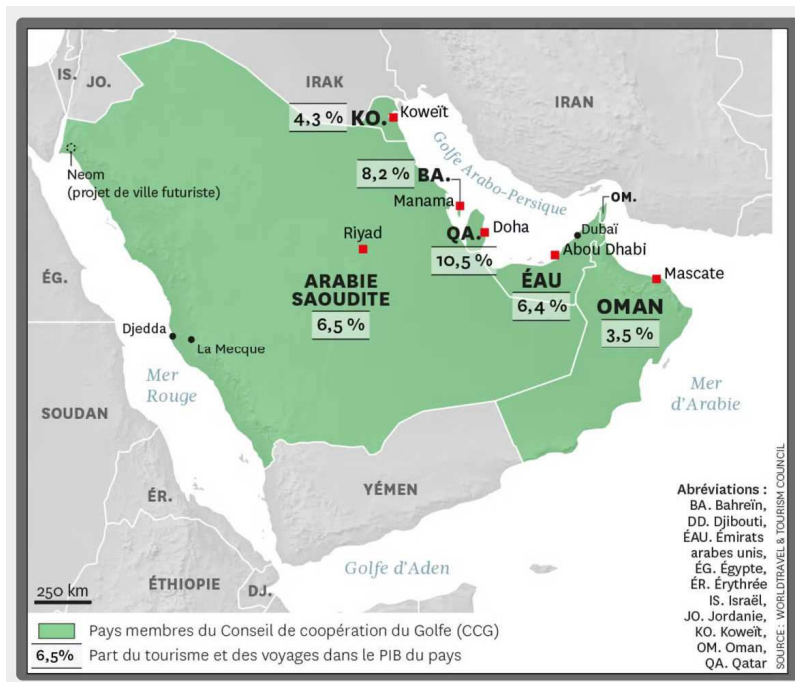
With considerable growth ambitions, the airline has already placed orders for 72 Boeing 787-9s and 60 Airbus A321neo aircraft.

It also plans to acquire around 50 Airbus A350s, with a marked preference for the A350-1000 version, the largest in the family.

Its main hub, in Riyadh, is strategically located at the heart of the Arabian Peninsula.

It is in the immediate vicinity of the hubs of its direct competitors: Etihad in Abu Dhabi (97 aircraft), Emirates in Dubai (254 aircraft), Qatar Airways in Doha (261 aircraft) and Gulf Air in Bahrain (43 aircraft).

All these airports are located within a radius of less than 500 kilometers.



What's more, in today's unstable geopolitical climate, Riyadh lies at the heart of the main air routes linking Europe and Asia.

The screenshot from Flightradar24, dated May 7, 2025 and shown below, provides a particularly clear illustration of this.



Read the article:

Air France-KLM announced on Monday that it had signed a memorandum of understanding to establish strategic cooperation with Riyadh Air, the new national airline of Saudi Arabia.

"The partnership aims to strengthen the air connectivity offer for passengers traveling between Riyadh, Paris, Amsterdam and beyond," the airline said in a statement.

The partnership also covers aircraft maintenance and cargo transportation, it added.

"Saudi Arabia is rapidly establishing itself as a key market for aviation. Our three brands, Air France, KLM and Transavia, now serve the country, and thanks to this new agreement with Riyadh Air, we aim to continue strengthening our presence in the region," said Benjamin Smith, CEO of Air France-KLM, quoted in a statement.

No financial details were disclosed.

> The price of biofuels continues to rise, denounce the airlines

(source Les Echos) June 3, 2025

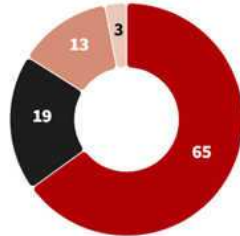
My comment: This article is a useful addition to my commentary on the first article.

The main risk facing airlines - particularly European ones - in the coming decade is that of failing to meet their quotas for the incorporation of sustainable aviation fuels (SAF).

Le carburant durable, principal levier pour atteindre l'objectif zéro carbone dans l'aviation en 2050

Projection des contributions par poste, en %

■ Carburant durable ■ Compensation / Capture carbone ■ Nouvelles technologies
■ Infrastructures / Exploitation



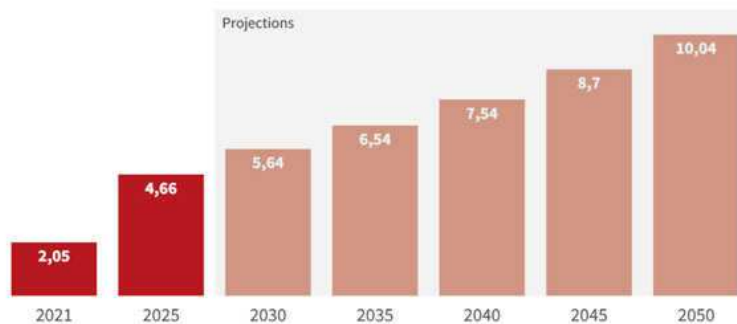
SOURCE : IATA

The United States has mitigated this risk by allowing the use of feedstocks that compete with food, which Europe prohibits.

Furthermore, the approach adopted by countries such as China and India, where air transport development far exceeds that of Europe, raises many questions.

Le nombre de passagers du transport aérien devrait doubler d'ici à 2050

En milliards de voyageurs



SOURCE : IATA

If the regulatory authorities do not quickly take concrete, appropriate measures, European airlines risk finding themselves at a disadvantage, or even marginalized, to the benefit of their Asian and American competitors.

Read the article:

The alarm bells have been ringing for a long time, but the air transport decarbonization train is still speeding down a dead-end track. At least, that's the impression left by the latest statements made by the International Air Transport Association at its General Assembly in Delhi.

On the positive side, global production of sustainable aviation fuels (SAFs), still the main way for airlines to reduce their carbon footprint, is set to double again **by 2025**, to 2 million tonnes (2.5 billion liters). But as IATA Director General Willie Walsh points out, these **2 million tonnes represent just 0.7% of global airline fuel consumption**.

Air transport is therefore still a long way from the non-binding target of 5% sustainable aviation fuels for international flights set in 2023 by the 193 member states of the International Civil Aviation Organization (ICAO) for 2030. **But it's also a long way off the 2% CAD target made compulsory by European regulations from this year onwards for all flights departing from European airports (), and the 6% target set for 2030.**

Even more worryingly, the doubling of CAD production has not been accompanied by a drop in the price of these biofuels, as might have been hoped. Quite the contrary: **in Europe, the costs of sustainable aviation fuels remain higher than elsewhere**, adding to an overall cost overrun estimated at \$4.4 billion for just 0.7% DAC.

"The European Union's great green scam

This paradox, vigorously denounced by IATA's Director General, can **be explained by the inclusion in European CAD prices of financial penalties payable by oil companies for non-compliance with the mandatory rate**. According to IATA, these "compliance costs" represent an additional cost of \$1.7 billion, compared with an initial estimate of \$1.2 billion for 2% CAD at market price.

"Instead of promoting the use of DACs, European obligations have made them five times more expensive than conventional kerosene," says Willie Walsh. "That's a \$1 billion windfall for fuel suppliers. It's the European Union's big green scam," he asserts.

For airlines, however, efforts are only just beginning. **By 2050, the date by which air transport is committed to achieving carbon neutrality, the total cost of the energy transition, regularly revised upwards, is estimated at 4,700 billion dollars. That's the equivalent of annual airline profits (if any) for 130 years!**

This bill will inevitably be reflected in the price of airline tickets. According to IATA, fuel costs, which currently account for 25% of airline costs on average, could rise to 36%. With a potential impact on demand, not yet quantified.

Despite the scale of the challenge, **IATA's 350 member airlines did not want to revise their commitment to carbon neutrality by 2050**, as had been envisaged. Our members want us to continue our sustainability efforts," stresses IATA's CEO. **The objective is not in question, only the method of achieving it."**

We can no longer tolerate government greenwashing or unnecessary cost increases," insists Willie Walsh. **We need urgent action from governments to accelerate fuel production, for example by redirecting the \$1,000 billion in subsidies each year to fossil fuel production.** But also, by taking the necessary steps to ensure the success of Corsia, the only market-based mechanism for reducing CO2 emissions from international aviation."

Created in 2016 within Oaci, this system enables airlines to buy carbon credits to offset their CO2 emissions. More than 130 countries, including France, have signed up to the mechanism. But to date, Guyana is the only country that has made its carbon credits available to airlines under the Corsia system," laments Willie Walsh. Many of the state representatives we meet are not even aware of their obligations in this respect."

End of press review

> **Air** France-KLM **share price performance**

The Air France-KLM share price closed at **9.236 euros** on Friday June 6. Over the week, it is **down (-4.61%)**. 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 8.88 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 5 years.



My comment: Air France-KLM's share price is struggling to reach the symbolic level of 10 euros.

We still have a long way to go to reach a more favorable valuation. This will largely depend on the Group's ability to significantly reduce its debt levels.

> Fuel price trends this week

The price of Jet Fuel in Europe is up (+\$4) to \$85 a barrel. It was \$94 at the end of June 2023, and \$79 before the outbreak of war in Ukraine.

Brent crude oil (North Sea) is up (+\$3) to \$67 a 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 have led to a drop in oil prices.

It is close to its low.

> Investment fund management

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

It is 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 my navigation website, under the heading Air France-KLM employee share ownership](#).*

More information

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 enable 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 find my last letters, [click here](#).

If you like this letter, please pass it on.

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

| François Robardet

At the forefront of more responsible European aviation, we're bringing 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 worldwide and topics related to Air France-KLM's shareholding.

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