I Letter from François Robardet

Air transport in France, Europe and the world

N°1024, July 7, 2025

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Weekly newsletter

Contents :

> SAS, the airline from the cold that puts Air France-KLM back in the race

(source Les Echos) July 5, 2025

My comment: *The Dutch newspaper NRC humorously headlined "Verstandshuwelijk Air France en KLM wordt met SAS een ménage à trois" (sic).*

In French it reads "Le mariage de raison d'Air France et KLM devient un ménage à trois avec SAS".

I'll let you discover the SAS story in the article below.

The entry of SAS into the Air France-KLM group - and perhaps tomorrow that of Air Europa or TAP Air Portugal - begs the question: will our group still be able to call itself Air France-KLM?

It's hard to imagine an extended name incorporating each company: Air France-KLM-SAS-Air Europa-TAP...

So a name change to something more generic seems conceivable.

This is what IAG did after the merger of British Airways and Iberia, before welcoming Vueling, Aer Lingus and Level.

Out of curiosity, I asked a few artificial intelligences for their suggestions. None of them really convinced me, but here are a few examples: SkyBridge Airlines, EuroSky, Aerantis Group, SkyAlliance, Sky Connexion.

I'm curious to hear your ideas!

Read the article:

Nordic romance takes shape. **Air France-KLM officially announced on Friday that it had begun "the process of acquiring a majority stake in the capital" of SAS**. The leading Scandinavian airline is due to join the Franco-Dutch group in the second quarter of 2026.

Little-known to the general public but a long-standing fixture in European skies, SAS offers nearly 120 destinations - most of them from Denmark, Norway and Sweden. **Here's the story of SAS, the Stockholm-based airline that brings life to Copenhagen's major airport.**

A threesome
Several fairies have bent over the cradle of Scandinavian Airlines System. The company was created in the aftermath of the Second World War, with the merger of Danish Air Lines, Norwegian Air Lines (two national airlines) and Swedish Intercontinental Airlines, the company founded three years earlier by Marcus Wallenberg, a distinguished sailor and tennis player, and above all one of the most influential European bankers of the last century.

Its two main hubs, strategically located at Kastrup airport in Copenhagen and Oslo airport in Norway, ensure efficient connections for passengers traveling throughout Scandinavia and to the rest of the world.

It has to be said that its stronghold in Northern Europe is a godsend for anyone wanting to fill planes. "**SAS offers deep access to a region rich in GDP, Scandinavia**," emphasize JP Morgan analysts. In this immense region, distances are gigantic, lakes and seas are numerous, and air travel is often convenient.

Adventurous beginnings
In its early days, SAS was no stranger to adventure. The young company immediately launched into long-haul flights. It made its name in 1954, when SAS inaugurated the first transatlantic route over the Arctic, with Douglas DC-6Bs calling at Greenland and Winnipeg, Canada.

The route soon became very select and the world's best advertisement, with Hollywood stars and businessmen appreciating the time saved. In 1957, another route was opened, this time directly over the North Pole.

The golden age of the 80s
A major player in European air transport since its creation in 1946, SAS enjoyed its golden age in the 1980s, acquiring a string of stakes in far-flung airlines.

At the time, its accounts were so healthy that it even ventured into the hotel business, building two luxury hotels in the center of Copenhagen to offer its customers a complete travel experience. SAS sets foot in Kuwait with another hotel, and goes so far as to own a 40% stake in the Intercontinental group.

Business got tougher in the following decade. In 1992, the hotels were sold to Radisson. **In 1997, SAS became a founding member of Star Alliance**, the industry's largest commercial union, alongside Air Canada, Lufthansa, Thai Airways International and United Airlines. **SAS will leave this alliance in 2024 to join Sky Team, when the Air France-KLM group buys 19.9% of its capital.**

The post-Covid crash

Under financial pressure throughout the 21st century - as low-cost players have come and gone - **SAS suffered the shock of Covid's irruption. In 2020, the Swedish government granted a $153 million loan. But this was not enough to save the company.**

Between 2022 and 2024, the company voluntarily filed for bankruptcy protection in the United States, a financial restructuring procedure that allows a company to continue operations while following a debt repayment plan approved by an American court.

It will have restructured a total of over $2 billion in debt, after reviewing its fleet and reaching agreements with its main shareholders, creditors and vendors. In addition to financial negotiations, the company is renegotiating labor agreements and reconfiguring its aircraft fleet.

The Air France-KLM era
Having acquired a 19.9% stake in Air **France-KLM** last year, **Air France-KLM decided to step up the pace and hasten its takeover today. This acquisition is the largest external growth operation carried out by Air France-KLM since the takeover of KLM by Air France**. It is also the first acquisition led by current CEO Benjamin Smith.

With 138 aircraft (including 70 A320 Neo and A321LR), 130 destinations, 25.2 million passengers a year and sales of SEK 45.9 billion (€4.1 billion), **SAS represents just under 10% of the consolidated sales of the Air France-KLM group, which with this move signals its return to the consolidation race led in Europe by IAG and Lufthansa.**

The deal is due to be completed before 2027, and will enable the Franco-Dutch airline to increase its stake in SAS to 60.5%. The Danish state would retain its 26.4% stake in SAS, as well as its seats on the Board of Directors.

> Lufthansa becomes a shareholder in airBaltic

(source Déplacements pros) July 2, 2025

My comment: *At first glance, Lufthansa's deal with airBaltic looks like the one between Air France-KLM and SAS.*

However, this is not the case. Firstly, the fleets of SAS (138 aircraft, including a dozen long-haulers) and airBaltic (52 aircraft, mainly A220s) are very different.

Secondly, Air France-KLM wants to integrate SAS into its group, making Stockholm its third hub.

Nothing to do with Lufthansa and airBaltic. The German airline's primary motivation is to use airBaltic's aircraft and staff, positioning them on routes that Lufthansa is struggling to operate.

=== beginning of quote, source APNA :

By deploying up to 21 airBaltic Airbus A220-300s on its European hubs from next summer, Lufthansa is de facto extending its operational capacity beyond the conventional scope of its "in-house pilots", with the aim of boosting the group's capacity flexibility without suffering internal HR constraints.

A major development that buries the old German-style "perimeter clauses", identical to those in force between the SNPL and Air France.
=== end of quote

Read the article:

The German competition authority has announced that it has authorized the Lufthansa Group to acquire a minority stake in Latvian airline airBaltic.

Europe's leading airline group is acquiring a 10% stake in airBaltic, **despite the risk of reduced competition on certain routes**. "The planned stake raises significant competition concerns on several air routes between German airports and the Baltic states," said Andreas Mundt, President of the Federal Cartel Office (BKA), in a statement. The deal is worth €14 million, and gives Lufthansa a say in the Latvian airline's decision-making process.

In a press release, Lufthansa welcomed the approval, which strengthens its "strategic partnership" with airBaltic**, with the Latvian company already providing it with aircraft and crew on a wet lease basis since last year. The previous partnership enabled airBaltic to flexibly deploy up to 21 additional Airbus A220-300 aircraft in summer, and five such aircraft in winter, to different hubs.**

Lufthansa owns Austrian, Swiss, Eurowings and Brussels Airlines. In January this year, Lufthansa became the majority shareholder in ITA Airways, with the aim of increasing its stake to 100%. The airline giant has also expressed an interest in Air Europa and TAP Air Portugal. With regard to airBaltic, Lufthansa has declared that the company "will remain totally independent and will continue to operate independently of the competition."

> Airlines agree on a common suitcase size that does not incur a surcharge (but these suitcases do not exist in the shops)

(source BFM) July 7, 2025

My comment: *Luggage placed under the front seat must comply with a simple safety rule: in the event of an emergency, it must not impede the movement of passengers on the window side.*

Their size must therefore be smaller than that of baggage intended for the overhead bins.

That said, the airlines' decision is far from addressing the concerns of passengers or the European Commission.

Spain is at the forefront of this issue. Not only has it imposed 179 million euros in fines on five airlines (Ryanair, easyJet, Volotea, Norwegian Air and Vueling), but last week it launched an investigation into the practices of Wizz Air.

Read the article:

As we all know, not only do European airlines charge for cabin baggage, but they all apply different rules concerning maximum dimensions, which, if exceeded, result in overcharging. A situation that irritates the European Parliament, which wants all airlines to accept two pieces of baggage on board free of charge.

In the meantime, **the Airlines for Europe association** (A4E), which brings together most European operators, has **announced that its members have agreed on a common size for hand baggage that can be carried free of charge in the cabin, to be placed under the front seat**. "Airlines for Europe has confirmed that its member airlines now apply the guaranteed dimensions of 40 × 30 × 15 cm for cabin baggage generally placed under the front seat," reads a press release.

"All A4E member airlines will implement the guaranteed dimensions by the end of the 2025 summer season. Carriers will continue to allow larger personal items at their discretion, as is already the case for many A4E member airlines," it continues.

So **it's clear that the classic cabin bag, the one you place in the overhead bins above the seats, will continue to be charged for**, but that the airlines have agreed on a free small carry-on bag that you can also take in the cabin.

Is this good news? Yes and no. While a single size will at last prevent overcharging by different airlines, **the size chosen is not really standard. In fact, it's virtually impossible to find small cabin suitcases 15 centimetres** wide, with the smallest being at least 18 centimetres wide. As you can see on this site, the choice really boils down to backpacks or vanity cases...

However, the standard size proposed by the A4E represents a guaranteed minimum, and airlines can apply their own policies, like Ryanair. Europe's leading low-cost airline has announced that its "personal (free) baggage allowance (will) be 5 centimeters higher than the European standard"...

Spain has imposed record fines of 179 million euros on several airlines for their policies on extra cabin baggage charges, deemed abusive.

> Air traffic controllers' strike: three questions on a conflict that exasperates the whole of Europe

(source AFP) July 2, 2025

My comment: *I find it hard to accept that unions can call into question decisions taken to reinforce flight safety.*

Checking the presence of air traffic controllers is not an option. They play an important role in guaranteeing flight safety.

I take up part of my letter n°946, which deals with this subject via Reason's model.

The Reason model (also known as the Swiss Gruyère model)

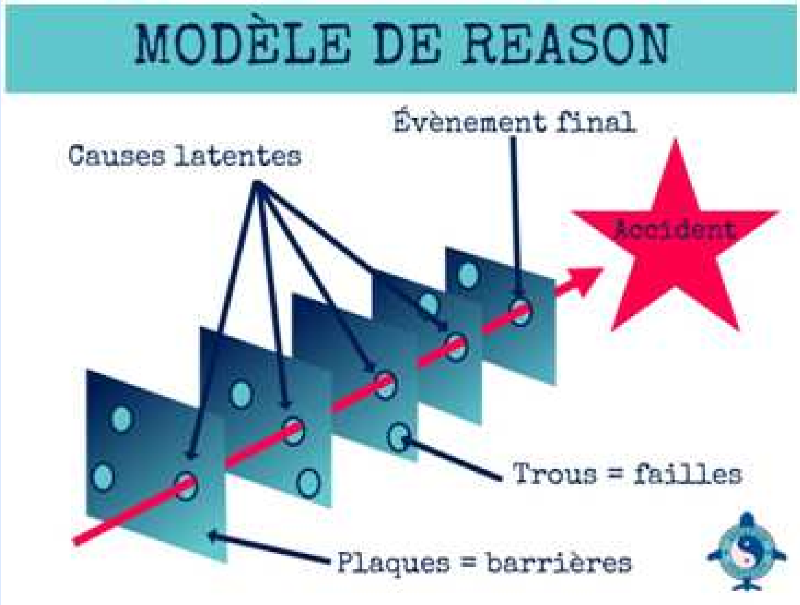
(Source : https://zenavioncoaching.com)

--- beginning of quote ---

There is rarely a single cause of an aircraft accident. More often than not, it's a succession of seemingly innocuous little things, visible or invisible hazards, which, linked together, lead to an accident.

Reason's model helps us understand why accidents happen, and highlights the *complexity of cause-and-effect relationships.*

J. Reason, Professor of Psychology, proposed a simple model to illustrate the complexity of the chain of events that can lead to an accident: a series of perforated plates.



Let's imagine that each link in the safety chain is modeled by a plate, and that a hole in this plate represents a flaw in safety: lack of experience, bad practice, insufficient knowledge, poor aircraft maintenance, technical failures, unfavorable weather conditions, etc.

If the plates are put into perspective, there are two options:

1. *There is no alignment of the holes, which means that at least one of the plates has played its "safety" role: no accident occurs.*
2. *The holes are aligned, and despite all the elements that could have prevented the accident, no safety device has been able to prevent it: the accident occurs.*

For J. Reason, there are three types of failure:

- *Technical failures*
- *Human error*
- *Organizational failures*

In his view, "error is inseparable from human intelligence".

The fact is, human error is implicated in the vast majority of air disasters.

--- end of quote ---

Read the article :

On the eve of the summer school vacations, the strike launched by two air traffic controller unions is severely disrupting traffic this Thursday, and the situation is set to worsen on Friday. With aircraft grounded at the request of the French Civil Aviation Authority (DGAC) or delayed in their flight over France, the skies over France are darkening.

Who's on strike? Who's on strike? What is the real effect on travel on Thursday and Friday? Four questions to decipher the main elements of the air traffic controllers' mobilization.

- Why are air traffic controllers on strike?

Two air traffic controller unions have called a strike for Thursday. UNSA-ICNA, the second-largest air traffic controllers' union (17% of the vote), said after two conciliation meetings with the DGAC that the administration had failed to "respond to the warnings it had been issuing for weeks". As a result, the union has scheduled two days of strike action, on Thursday July 3 and Friday July 4.

According to a source close to the matter, quoted by AFP, 270 of the 1,400 or so air traffic controllers have declared themselves to be on strike this Thursday.

The controllers are demanding better working conditions and, in a statement issued by the UNSA-ICNA union, **denounce structural understaffing and the use of "obsolete or faulty tools".** The union is also pointing the finger at "toxic management" and "snooping" on the part of the DGAC. **At the heart of the disagreement is the introduction of a biometric time clock and position badge, which could be deployed as early as this autumn**.

These two measures, proposed by the DGAC, are designed to monitor controllers' arrival times at their place of work and their location. **The Bureau d'Enquêtes et d'Analyses (BEA) had recommended these implementations in 2023, following a near-miss collision at Bordeaux-Merignac airport the previous year. The air traffic controllers, who were only three instead of six, had briefly overlooked the presence of a small passenger plane. This understaffing was linked to "clearance", an unofficial practice whereby controllers grant each other uncounted absences when air traffic is lower.**

- What impact did this have on French and European air traffic?

"15,000 flights were cancelled between Thursday and Friday", according to the Airlines for Europe association, which represents around 70% of European air traffic, and includes members such as Ryanair, Air France and Easyjet. The association warns of flight disruptions "at least until Saturday". For Sunday, "visibility is still reduced", says Airlines For Europe, which puts the number of travellers affected at 300,000.
(...)
- What are the reactions?
The strike has raised the hackles of European airlines, the first to be affected by the industrial action.
(...)
"This strike is intolerable", declared the main airline association, Airlines for Europe. A sentiment shared by **Transport Minister Philippe Tabarot**, who warned on X on Thursday of "the economic impact of this strike on airlines, starting with our national carrier Air France, whose losses are likely to run into millions of euros - a burden that will ultimately fall on the French taxpayer". **On Wednesday,** the Minister **told the congress of the Fédération Nationale de l'Aviation et de ses Métiers (FNAM) that he would not "give in" to the strikers' demands.**

End of press review

> Air France-KLM share price trend

The Air France-KLM share price closed at **9.954 euros** on Friday June 27. Over the week, it is **up sharply (+9.63%) following a +14.65% rise the previous week.** It was 13.60 euros on January 1, 2024, 8.23 euros on July 1, 2024, and 7.604 euros on January 1, 2025.

The analysts' 12-month average (consensus) for AF-KLM shares is 8.59 euros (it was 17.50 euros at the beginning of January 2024). The highest price target is 12.50 euros, the lowest 5.40 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 flirting with 10 euros, a level rarely reached since March 2024.*

> Fuel prices this week

The price of Jet Fuel in Europe is up (+$6) to $95 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 slightly (+$2) to $69.**

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: *Oil prices are rising slightly this week.*

> FCPE management

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

11,688 people receive this press review live