

## I Letter from the Director Air France-KLM

**François Robardet** Representative of employees  
and former employee shareholders PS and PNC

No. 700, April 22, 2019

If you

do not see this page correctly, or if you wish to

read the English or Dutch versions,

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 yesterday](#)

### *The Press Review on Monday...*

#### > Air France: "Our planes are much more on time than before"

(source franceinfo) April 17 - Anne Rigail is the first woman to manage Air France. At the head of the company since December, she wants to turn the page on a trying year for the company, marked by a long social conflict, but also many delays and cancelled flights. (...) **"Our planes are on time more than before,"** she says. "In March, we were sixth in the international ranking of flight punctuality. The challenge now is to maintain this performance next summer, during the peak period (...) **Our plan will make it possible to compensate for uncertainties**".

**The company will expand its fleet:** "We already have seven B787s and we will add three new B787s to them in the coming year," Anne Rigail says. Air France is also counting on the new Airbus: "We are starting to welcome the A350, which will be a core fleet for us. The first one will arrive in September. We will welcome six of them in the coming year.

To attract customers, the **company wants to move up the range**, by "modernising the cabins of the entire long-haul fleet", with "completely flat business class beds", larger video screens, and on-board wifi. But, Anne Rigail promises, these changes will not lead to a rate increase. (...)

**The Transavia company, which is increasingly successful, will be developed.** Air France's low-cost subsidiary currently operates 39 aircraft. Anne Rigail wants to go further: "The unions and all employees understand the importance of developing Transavia for the power of Air France-KLM". (...)

***My comment:** Anne Rigail outlines Air France's strategy here. In the short term, the most important thing will be to spend the summer, the busiest season, with fewer irregularities than last year.*

### > Why French pilots want to strike in May

(source Le Point) April 19 - (...) In a letter with strike notice sent to Matignon and the Departments of Transport and Labour, **the National Airline Pilots Union demands that the specific representativeness of pilots and the aircrew pension fund be maintained**, says La Tribune. This social movement would affect all pilots who are members of the SNPL, namely Air France (about 90%) but also Aigle Azur, Air Austral, Air Caraïbes, ASL Airlines, Corsair, XL Airways, etc. Foreign companies such as Easyjet and Vueling are also concerned when pilots based in France join the SNPL sections. The notice (...) indicates that **the movement begins on Monday, May 6 and ends on Saturday, May 11** at 23:59. (...)

First point of the demands, the **pilots want to keep their strong representativeness in the colleges signing the social agreements even if they are a minority in the company**. If the LOM law is applied, elected representatives of ground staff (the majority category of the company) could then sign texts concerning them. **The second demand anticipates the national debate on pensions. Will the disappearance of the pension fund for flight crews (CRPN) take place as part of the reform?** This scheme, which is twice as costly for companies as the traditional "executive" scheme, currently provides that full rights vest after 25 years of activity. On average, cabin crew members retire at the age of 56.

***My comment:** During the air transport conference, the Minister of Transport, Mrs Borne, called for the establishment by the representatives of employers and trade unions of a single national collective agreement covering all air transport. Of the more than 100,000 employees working in the sector, 30,000 do not benefit from it.*

*The SNPL, the leading French pilots' union, fears that if this collective agreement is put in place, it will lose its exclusivity over the negotiations concerning them.*

*However, the example of Air France should reassure them. A joint venture agreement already exists. However, the rules specific to the three categories of personnel (Ground, Commercial Flight Crew, Pilots) are the subject of categorical agreements. They are negotiated and signed only by representative unions in their category.*

### **> Data Analytics: the battle between OEMs and maintenance companies will intensify**

(source Journal de l'Aviation) April 16 - If there is one subject on which all the players were in unison at the last MRO Americas show in Atlanta, it is that **predictive algorithms are** beginning to be developed and that they **will** simply **revolutionize the maintenance sector in the** coming years. (...)

And this is only the beginning, on the one hand **because predictive tools will logically evolve towards prescriptive tools**, significantly improving the decision-making processes of maintenance tasks while optimizing their costs, but also because the volume of available data will simply explode with the increase in the share of new generation aircraft in the world fleet. (...)

Obviously, the eternal debate on data ownership has come up again and it is clear that the **large MRO companies are the ones that could have the most to lose against the OEMs, who now have a new and extremely powerful weapon: knowledge of the evolution of their product over their entire life cycle**, knowledge that until now was only held by the operators themselves, as well as by the affiliated maintenance companies.

**For the time being, airlines are not yet choosing their MRO provider on this criterion**, but many intend to take advantage of these new tools to improve their operations in the very near future. The battle will therefore intensify.

**My comment:** *The term OEM ("Original Equipment Manufacturer") refers to a company that manufactures spare parts for another entity. MRO ("Maintenance, Repair and Operations") service providers provide aircraft maintenance, repair and overhaul. AFI KLM E&M is the world's second largest MRO provider.*

*Competition in the field of aeronautical maintenance is very strong between OEMs, MROs and manufacturers. In the coming years, the difference could be made via predictive maintenance tools. Airbus with*

*its Skywise tool, AFI KLM E&M with its Prognos software are now at the forefront of the development of these tools.*

### > **The United States is looking "very closely" at the Qatar-Air Italy agreement**

(source Reuters, translated with DeepL) April 10 - The **United States is closely examining the acquisition by Qatar Airways, a state-owned airline, of a 49% stake in Air Italy**, which has been serving US destinations since June, as part of a decision that US lawmakers consider a violation of the agreement not to add new flights to the domestic market. (...)

Air Italy has been serving New York and Miami since June of last year and was scheduled to start serving San Francisco and Los Angeles this month and Chicago in May. (...)

Scott Reed, campaign director of the Open and Fair Skies Partnership, a group representing the three largest US airlines and aviation unions, said that (...) "**both parties are concerned that Qatar Airways is violating last year's agreement with the US - making its finances more opaque rather than less transparent and using Air Italy as a substitute to undermine the US airline industry**". (...)

In a letter accompanying these agreements, the Qatari government indicated that it did not intend to launch additional flights from Qatar to US destinations, but indicated that some passengers would board flights in Europe before taking a flight to US destinations.

***My comment:*** *The World Trade Organization (WTO) has excluded most air transport services from its scope: traffic rights and services directly related to traffic.*

*To fill this gap, last year the United States signed a bilateral agreement governing relations between Qatar and the United States. Qatar Airways then undertook to ensure the financial transparency of its accounts.*

*For US airlines, Qatar Airways' acquisition of a stake in Air Italy is a violation of this agreement.*

### > **Heading east all for the AF/KLM & MU Joint Venture**

(source Déplacements pros) 18 April - **Air France and its long-standing partner China Eastern Airlines (MU)**, which since October 2017 has held an 8.8% stake in the Air France-KLM group, are **offering 18 destinations in Asia this summer**. But the group's

partner has even greater views. (...)

Zoran Jelkic (General Manager France, AF/KLM) emphasised that the **partners' common ambition is to market destinations from the respective countries**. On this point, 600 corporate contracts have been signed since 2017. (...)

Building on its development and partnership, China Eastern Airlines announces that it will launch a direct route Paris Qingdao on June 19 and next year will see the birth of the Paris Daxing (the new Beijing airport) and Paris Wenzhou routes. (...)

***My comment:** The first partnership agreements between Air France and China Eastern date back to 2000. Since then, a joint venture between Air France, KLM and China Eastern has been set up. It is now fully operational, as evidenced by the recent opening of lines between Europe and China.*

### > Runway excursion for Jet Airways, Air France-KLM's Indian partner

(source Les Échos) April 17 - **Jet Airways'** long agony seems to be coming to an end. After searching in vain in recent days for a final lifeline from banks or the Indian government, the company that was once the first private Indian company **finally decided to announce the complete cessation of its activities on** Wednesday, April 17, pending a hypothetical recovery solution. (...)

This new defection of an Indian airline, ten years after the bankruptcy of Kingfisher, illustrates the fragility of air transport in India, despite the double-digit growth in traffic. (...) Jet Airways had long been a role model. (...) But management errors, such as the takeover of Air Sahara and excessive debt, combined with competition from Gulf companies and higher oil prices, pushed the company into the red in 2017.

**The termination of Jet Airways flights is also a major blow for Air France and KLM, which operated about 60 flights per week with Jet Airways to Delhi, Mumbai, Chennai and Bangalore.** In the immediate future, both airlines will have to replace thousands of passengers left behind by Jet Airways on their flights or those of other airlines, with little hope of being paid in return. (...) In

addition to the immediate financial cost, the disappearance of Jet Airways deprives Air France-KLM of a partner on the Indian market, which represented "more than 1.2 million passengers" in 2017, including 700,000 on Air France and half of them in connections for North America. **This would further destabilize the Indian lines already heavily challenged by Gulf companies.**

***My comment: There is still little hope of a recovery for the Indian company Jet Airways. The application process for a possible resumption continues until May 10.***

*In the meantime, the Indian government is considering temporarily allocating Jet Airways' take-off and landing slots to other airlines.*

### **> Lufthansa reported an adjusted operating loss of €336 million in the first quarter**

(source: Journal de l'Aviation with AFP) April 16 - European air transport giant **Lufthansa reported an adjusted operating loss (EBIT) of €336 million in the first quarter**, mainly **due to higher fuel prices**, according to preliminary figures released on Monday.

Over the same period in 2018, the German group had posted a positive adjusted EBIT of €52 million, Lufthansa said in a release, noting that **increased competition in Europe also weighed on prices in the first three months of 2019**. (...)

Due to the sale of Air Berlin's operations, the first quarter of 2018 also represents a "very high basis of comparison", said Lufthansa.

Lufthansa recalled that the group "had already warned that the first quarter result would be lower". (...)

**Lufthansa had already warned in its annual results that its transport capacity would increase significantly less in 2019 than expected in response to the "infrastructure bottleneck", i.e. the difficulties faced by airports and air traffic controllers in absorbing traffic growth.**

For the current year, Lufthansa has reiterated its forecast of an operating margin between 6.5% and 8.0%, compared to 7.9% in 2018.

### **> Alitalia: only 15 days to find a solution**

(source AFP) April 15 - Trade unions in Italy were sounding the alarm about the **future of the airline Alitalia**, while **no solution is in sight 15 days before the deadline** set for the railway company FS to submit its concrete offer to take over. (...)

**The Italian railway company Ferrovie dello Stato (FS) submitted an offer to buy Alitalia at the end of October, but it does not wish to increase its share capital to more than 30%** (...)

According to the Italian press, in addition to the 30% of FS, **Delta would take 15% and the Italian Treasury 15%. Therefore, one or more partners are still missing for the remaining 40%**. These must be found by 30 April, the deadline set by Alitalia's directors for a

binding offer.

According to media reports, Delta is in contact with the Chinese company China Eastern. (...)

**In the event of FS's failure, the German company Lufthansa is still interested**, but only in part of the activities, without any State presence in the capital and at the cost of thousands of redundancies. (...)

***My comment:** The more time passes, the shorter the time allowed to save Alitalia. Delta Airlines, Air France-KLM's partner in the North Atlantic joint venture, appears to be Alitalia's last hope.*

### > **Boeing: 90 days for a complete examination of the 737 Max**

(source Le Figaro) April 21 - **Representatives of nine international aviation authorities have announced their intention to conduct a joint technical review of changes to the Boeing 737 Max automated flight control system starting April 29.** The objective is to assess the reliability of the aircraft's flight control system, determine its compliance with all applicable regulations and identify any improvements that may be required in the future. **This committee of experts must submit its conclusions within 90 days.**

The American aircraft manufacturer wishes to implement, as soon as possible, all the modifications necessary for the return to service of the Boeing 737 Max. (...)

**On April 16, Boeing conducted a test flight of its 737 Max with the modified MCAS stall protection system.** This flight was presented as a crucial step towards obtaining a new authorization for commissioning. Boeing management has indicated that a new certification flight is planned with the US Federal Aviation Agency (FAA). (...)

### > **Europe is looking for ways to reduce traffic jams in the sky**

(source Les Échos) 18 April - **How to curb the explosion of air delays linked to air traffic control problems in Europe?** This is the question that a committee of experts has addressed in a report submitted earlier this week to the European Commission. (...)

**The authors of the report call for (...) a thorough reform of the organisation of air traffic control, which** will require the agreement of all the States concerned.

Because while air traffic controller strikes made a lot of headlines last

year, they accounted for only 15% of delays. The fundamental problems remain the lack of air traffic controllers, the delay in modernising equipment, particularly in France, and above all, the fragmentation of the control system between the various national systems, 15 years after the launch of the "Single European Sky" project. (...)

Rather than continuing on the path of a slow, if not impossible, unification of airspace, the **rapporteurs advocate strengthening the role of Eurocontrol**. From a simple coordinator of national control systems, **the Brussels body would thus become the real manager of European air traffic control**, in charge of flight programmes, but also of the control centres themselves.

The competences of this central manager would also include the main European airports, as well as all matters related to the modernisation of equipment. With the stated objective of unifying IT systems and offering more flexibility in the use of resources.

**Another proposal: the various control centres would commit themselves to genuine target contracts with Eurocontrol and airports**. This results in financial incentives or penalties, depending on the degree of achievement. Airlines and airports have long wanted to sign contracts, and today they are the only ones to bear the cost of delays, estimated at a total of €1.7 billion in 2018.

(...) But for the time being, the latest measure taken by the European Commission has been to reduce the punctuality target for the period 2020-2021.

***My comment:** Fifteen years after the launch of the Single European Sky project, a report confirms its failure. The recommendations made by the rapporteurs will not solve the problems in the short term. European airlines expect a significant number of delays this summer.*

**> Toulouse Airport: sale procedure cancelled but not the transfer contract**

(source abc bourse) 16 April - The **Administrative Court of Appeal on Tuesday annulled the decisions concerning the selection of candidates for the purchase of the State's shares in Toulouse airport**, but specified in a press release that the transfer contract was not immediately called into question.

The Administrative Court of Appeal (...) had been seized by three unions challenging the partial privatisation of ATB, which had enabled the Chinese Casil group to acquire 49.99% of the airport management company.

They argued that the (initial)'indicative offer' had been submitted by Casil in association with SNC Lavalin, but that the final offer had only been submitted by the Casil group.

The Court ruled in their favour on Tuesday on this point. (...) **However, it specified that its judgment did not, by itself, have any effect on the application of the transfer contract concluded on 7 April 2015 between the State and Casil Europe** (a French holding company set up by the Chinese State group Shandong High Speed Group and the Hong Kong-based investment fund Friedmann Pacific Asset Management, editor's note), which (...) is otherwise a contract governed by private law'. (...)

***My comment:** The Chinese group CASIL is trying to sell, with a comfortable capital gain, the 49.9% of the shares of Toulouse airport it bought from the French State in 2015. The decision of the Toulouse Court of Appeal could be likely to suspend this process.*

### > **Aéroports de Paris inaugurates Orly 3, the junction building of Paris-Orly**

(source Air Journal) April 19 - **Groupe ADP** (Aéroports de Paris) officially inaugurated yesterday **the junction building of Paris-Orly airport, named Orly 3**, in the presence of Prime Minister Edouard Philippe and the Minister in charge of transport, Elisabeth Borne. (...)

As part of the

modernisation of the second Parisian airport, the Orly-ouest and Orly-sud terminals have been renamed: **the former Orly-ouest is now called Orly 1 and Orly 2**; the new junction building in the centre is called Orly 3; and **the former Orly-sud becomes Orly 4**. (...)

**The Orly 3 boarding room offers the possibility of treating 4 large or 8 medium carriers on 4 "mixed" aircraft stations, which makes it more flexible. Half of the boarding lounge can also be used in "dual status" mode: Schengen or international depending on operational needs.** (...)

***My comment:** Since 16 April Transavia has been operating Schengen flights at Orly 3. The rest of the Transavia flights will remain at Orly 4 (formerly Orly South) until mid-May.*

***End of the press review***

### > **My comment on the evolution of the Air France-KLM share price**

**The Air France-KLM share is at 11.12 euros at the end of Thursday 18 April. It is up 0.27%** Since 2011, it has exceeded this threshold of 11 euros only twice, briefly in 2014 and for 6 months at the end of 2017.

**The average (consensus) of analysts for the AF-KLM share is 11.17 euros.**

**The barrel of Brent oil (North Sea) is stable at \$71, the highest level in 6 months.** Oil prices continue to be driven by Opep's production declines and geopolitical tensions in Venezuela and Iran.

**This indicative information does not in any way constitute an incentive to sell or solicit the purchase of Air France-KLM shares.**

You may react to this press review or provide me with any information or thoughts that may help me to better manage my role as a director of the Air France-KLM group.

**You can ask me, by return, any questions about the Air France-KLM group or employee share ownership....**

See you soon.

To find the latest press reviews on Monday, it's [here](#)

**If you enjoy this press review, circulate it.**

New readers will be able to receive it by [providing me with](#) the email address of their choice.

## **| François Robardet**

**Director Air France-KLM representing PS and PNCV  
employee shareholders You  
can find me on my twitter account @FrRobardet**

This press review deals with topics related to Air France-KLM shareholding.

If you no longer wish to receive this letter/press review, [unsubscribe](#) and specify your request.

If you prefer to receive the press review at another address, please let me know.

To contact me: [message for François Robardet](#). 10047 people receive this press review live

