



I Letter from the Director Air France-KLM

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

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The Press Review on Monday...

> **Air France: the SNPL will launch a referendum on the development of Transavia**

(source La Tribune) July 4 - **The development of Transavia will be decided by the pilots of Air France's SNPL.** This Thursday, the board of the French airline company's national airline pilots' union (...) decided to submit the draft agreement on the development of Transavia to its members for a vote (...).

According to our information, the **project provides for an unlimited development of Transavia France**, unlike what has always existed since the creation of Air France's low-cost subsidiary in 2007. In other words, the ceiling of 40 aircraft disappears.

Nevertheless, Transavia's development remains very much under control. It will be carried out from its existing bases in Orly, Nantes and Lyon, without excluding the possibility of opening others in France. Bases abroad are prohibited. Transavia France's fleet will have to be composed solely of single-aisle aircraft. Travel must not exceed 3,000 nautical miles and transatlantic flights are prohibited. Transavia will not operate scheduled flights from Roissy-Charles de Gaulle, the Air France hub. **No route operated by Air France can also be operated by Transavia, says the management, which claims to guarantee a fleet of 110 medium-haul aircraft to Air France.** (...)

The draft agreement and the conditions for the secondment of Air France pilots irritate Transavia's so-called historical pilots, those who were there in 2007 for the launch of the airline. (...) They are offered an Air France contract (...) but lose part of their seniority and seniority, explains one of them.

However, the **application to Transavia of the remuneration rules in force at Air France will allow a 4 to 5% increase in remuneration for captains and 15% for co-pilots** by applying Air France's seniority rules. This means an increase in Transavia's payroll from 7 to 8%.

In return, Air France pilots' salaries will be frozen next year according to pilots present at the board (management explains that the draft agreement talks about wage moderation), **and the company will be able to market additional seats on the B777s by removing the pilots' private toilets**. The gain for the company of these two measures is estimated by a pilot at 20 million euros. As a reminder, the pilots obtained wage increases of 2% in December 2018 and 2% in early 2019, then nearly 4% for general wage increases after a categorical agreement in February and a review of the instructor protocol in the spring. **At Transavia, the increase in remuneration for pilots does not seem to appease matters.**

"This project will allow the development of Transavia at the expense of Transavia's historical pilots," says storm Cyril Froment, union delegate for the SPL, a union affiliated to the CFDT. According to him, **if the project is not withdrawn, social peace will be lifted as early as Monday, July 8, and calls for a strike could follow this summer.**

This would be a major blow for Transavia, which already suffers from a lack of captains.

Tensions are also high at HOP, the regional subsidiary of Air France. **The SNPL HOP is calling for the integration of pilots at Air France and is also threatening to strike.**

***My comment:** All categories of Air France and Transavia France personnel are concerned by the development of Transavia France, a low-cost subsidiary of Air France. But only an Air France pilots' union is involved in the negotiations on this subject.*

If the negotiators do not take into account the concerns of the other Air France Group employees, social movements cannot be ruled out.

> Air France-KLM traffic: +3.4% in June, +4.2% over six months

(source Air Journal) July 8 - **Traffic for the Franco-Dutch airline group increased in June** with 9.658 million passengers, an increase of **3.4% compared to the same month last year**. Growth of 0.7% was recorded by Air France alone, while KLM Royal Dutch Airlines gained 4.7% and low-cost Transavia +9.0%. Over the first six months of the year, the group welcomed 50.474 million customers (+4.2%). (...) The group's overall load factor, including all subsidiaries, increased by 1.5 percentage points to 90.7%. (...)

Air France-KLM's freight activity saw its monthly traffic in TKT (tonne-kilometre transported) decline by 3.6% last month, on a capacity decline of 0.1%; the load

factor fell by 2.1 percentage points to 56.9%. (...)

Over the first six months of the year, the Air France-KLM group welcomed 50.474 million passengers (+3.4% compared to the same period in 2018), **with an average load factor of 90.7%** (+1.5 points). Air France has 25.672 million customers between January and June (+4.7%), KLM 16.979 million customers (+2.2%) and low-cost Transavia 7.823 million passengers (+7.0%).

***My comment:** In the first half of 2019, Air France-KLM Group traffic increased significantly. The financial results will be published on 31 July.*

> Aviation only deserves to grow when the nuisances really decrease

(source Het Parool translated with Deepl) July 7 - **Schiphol and airlines could continue to grow air traffic.** First, it will be necessary to reduce the nuisances for local residents and the environment, so that the number of flights can increase after 2020 (...) says the Minister of Aviation, Cora van Nieuwenhuizen, in an interview with Het Parool. (...)

Traffic growth by limiting inconvenience. How do you want to achieve this?

"I no longer set a horizon, there will be no more big leaps. We are really going to do the opposite: **first less pollution, then growth. Only if the number of people suffering from severe discomfort decreases will Schiphol be able to grow again.**"

"We will develop Schiphol in small steps. Each year, we will examine what the aviation sector can offer in the area of noise reduction. Then there will eventually be growth. If the nuisance does not decrease, Schiphol will remain at 500,000 flights. And **there will never be more than 540,000 flights in the coming years, for safety reasons.**"

Can you give some examples?

"We expect Amsterdam's Schiphol Airport to develop a nuisance reduction plan and address, among other things, the top 20 nuisance complaints. And a fund must be set up for distress situations, the isolation of houses and the creation of fixed rest periods." (...)

Do you take seriously the huge investments made by KLM and Easyjet, among others, in more economical and quieter aircraft or biokerosene?

"They also make these investments on the basis of their own motivation. Everyone benefits from it. I can't yet say if KLM's support for biokerosene will be rewarded with further growth."

(...) **"We have set up a program to bring the calculated discomfort closer to the discomfort that people say they feel.** I fully understand that it is frustrating for local residents to be confronted with all kinds of averages and to feel discomfort in very different ways (...).

How will you proceed?

After my vacation, I'm going to sit down with all the protagonists. The **first growth will be possible in 2021**. We should not wait too long for the first measures. **It is also a call to the aviation sector; the sooner we have concrete measures in place, the sooner we can develop again.**"

***My comment:** KLM's growth requires an increase in slots at Schiphol. The decision lies with the Dutch government, which is looking for a way to convince the local population to accept it.*

It is a difficult task. In recent years, in similar situations (Mexico City, London, Munich, Nantes, etc.), projects allowing an increase in traffic have been either suspended or cancelled.

> Postponement of the plan for the future of Air France-KLM

(source De Telegraaf translated with Deepl) July 3 - **The joint plan of the French and Dutch governments for the future of Air France-KLM has been postponed to a later date. The Ministry of Finance confirmed this to De Telegraaf.**

In February, the Netherlands became the second largest shareholder of the French-Dutch airline. This decision was not well received by the French government at first.

Subsequently, the Netherlands and France decided to appoint a commission of senior officials, who would collectively formulate a plan for the company, its management and governance. **It was supposed to be finished by the end of June, but the question now is whether it will be possible before September.**

The Netherlands wishes to preserve KLM's interests for the Dutch economy and autonomous business management by signing new agreements.

***My comment:** The difficulties faced by the Dutch government in increasing Schiphol's capacity may explain the delay in the work of the commission set up in February.*

It should be noted that the President of the Agence des Participations de l'État, Mr Martin Vial, who participates in the work of this commission, was appointed a member of the Air France-KLM Board of Directors at the end of May. He will represent the French State there.

> Air France KLM: Steven Zaat appointed Deputy Chief Executive Officer of Air France

(source: zonebourse) July 2 - **Air France has announced the appointment of Steven Zaat as Deputy Chief Executive Officer of Air France as of July 3.** He will report directly to Anne Rigail and will be a member of the Executive Committee.

He will replace Marc Verspyck, who will cease to hold the position of Deputy General Manager of Finance and Economics at Air France on the same date, before leaving the company.

(...) Steven Zaat joined KLM in 2000 where he held various positions in the Engineering and Maintenance division and then in Alliances and Audit.

In 2014, he joined the Air France-KLM group as VP Finance & Control Air France-KLM Engineering & Maintenance. In

2015, he became Senior Vice President Corporate Control Air France-KLM, in charge of Shared Financial Services, Corporate Control and Joint Ventures. **He was part of the negotiation teams of the joint venture between Air France-KLM, Delta and Virgin Atlantic.**

***My comment:** The appointment of a Dutchman to the position of Deputy Managing Director of Air France illustrates Ben Smith's desire to form mixed teams within the companies of the Air France-KLM Group.*

However, this is not new. From 2005 to 2012, a Frenchman, Frédéric Gagey, was Chief Financial Officer of KLM.

> **Very good quarter for Delta, the only major American company not to have a B 737 Max**

(source Déplacements Pros) July 5 - **American airlines had a difficult quarter, but Delta was the notable exception.** The airline announces that its quarterly results are better than expected.

Unlike American Airlines (AAL), United (UAL) and Southwest (LUV), Delta Air Lines was not required to cancel flights during the quarter due to the grounding of the Boeing 737 Max, simply because the company does not have any.

Delta reports total revenues up from 8% to 8.5% for the quarter just ended. It's more than expected. The company projected that revenues would increase by 6% to 8%. (...)

> **IAG Group traffic: +6.0% in the first half**

(source Air Journal) July 8 - **International Airlines Group (IAG)**, comprising British Airways, Iberia, Aer Lingus, Vueling and Level, **welcomed 11.273 million passengers last month**, traffic up 6.1% compared to June 2018.

Over the first six months of the year, this traffic increased by 6.0% to 55.885 million passengers.

(...) The average load factor of the group's aircraft increased by 0.6 points to 83.0%, on an overall capacity increase of 5.7%.

(...) In six months, British Airways welcomed 23.115 million customers (+2.8%), Aer Lingus (...) saw its traffic increase by 4.6% to 5.451 million customers, Iberia (with Iberia Express) (...) welcomed 10.643 million passengers (+7.4%), low cost Vueling (...) welcomed 15.904 million passengers (+6.4%), low cost Level (...) saw its passenger traffic reach 772,000 passengers (+459.4%) (...).
In the freight sector, the group recorded (...) a 1.1% increase in freight traffic in the first half of the year. (...)

My comment: Over the first six months of the year, the IAG Group carried 10% more passengers than the Air France-KLM Group.

> IAG: fined after theft of customer data

(source Cercle Finance) July 8 - **International Airlines Group (IAG) was fined £183.4 million (about €200 million) after stealing customer data from British Airways' website in 2018.** In

a press release, the group of airlines, formed by the merger of British Airways and Iberia, said it was 'surprised' and 'disappointed' by the penalty announced by the UK Information Commissioner's Office (ICO).

British Airways reacted quickly to a criminal act aimed at stealing its customers' data. We found no evidence of fraud / fraudulent activity on accounts related to the theft', the press release states.

International Airlines Group has stated that it intends to take steps to defend its position, including an appeal against the decision. (...)

My comment: The amount of the fine imposed on British Airways is surprisingly large.

> Saudi airline flyadeal favours Airbus over Boeing's 737

(source Reuters) July 7 - **The low-cost Saudi airline flyadeal will not confirm an order for MAX 737 from Boeing worth \$5.9 billion (€5.26 billion) and will instead build a fleet entirely composed of Airbus A320s.**

Flyadeal is considering this order following the two air disasters involving the 737 MAX in Indonesia and Ethiopia in October and March, which killed a total of 346 people. The 737 MAX was banned from flight following the crash in Ethiopia.

(...) Flyadeal had ordered 30 copies of 737 MAX in December, preferring this model to the A320neo.

This interim order, which also included an option on 20 additional aircraft, was worth \$5.9 billion at list price, according to Boeing.

"We are aware that flyadeal will not deliver on its commitment to the 737 MAX at this time given the company's scheduling requirements," a Boeing spokesman said.

My comment: *The announcement of a possible postponement of the return to service of the B737 Max to 2020 is a cause for concern for Boeing's airline customers. They may be tempted to opt for Airbus.*

Given the volumes (single-aisle medium-haul aircraft represent nearly 80% of the order book of the two aircraft manufacturers) it is difficult to imagine that Airbus will be able to meet all the demands.

> **Passenger compensation: good and bad students**

(source Air Journal) July 6 - The site RetardVol.fr, a specialist in air compensation, ranks airlines. Who are the ones who respect the right to compensation for passengers in the event of delay or cancellation of their flights? The top 5 good students are Tui Fly (8.8/10), French Bee (8.3/10) and Air Caraïbes (7.3/10), Corsair (7.3/10) and EWA Air (7/10), Mayotte's subsidiary of Air Austral. At the bottom of the ranking: Iberia, Aigle Azur, Air Algérie and Air Antilles. All these companies get 0/10! It is generally very complicated to assert your rights and the intervention of a lawyer or even a summons is often necessary.

Air France, the leading carrier in France, ranks among the good students (6.8/10), but has seen its service deteriorate slightly over the past year, with in particular the outsourcing to Madagascar of part of the service related to complaints and the lack of experience of these new teams. With a rating of 4/10, the low-cost **EasyJet**, the second largest airline in France, **is one of the bad companies in this field.** Average response times, and no evidence provided when refusing compensation. For its part, the low-cost **Ryanair** scored 0.5/10, and **is among the worst companies in this ranking.** Automatic answers, misleading communications during the strike of their pilots... Everything seems to be done by Ryanair to discourage travellers from receiving compensation.

"When purchasing an airline ticket, **we advise passengers to look not only at the price but also at the quality of the compensation service** when a problem arises. If we exist it is because only 30% of companies apply the European regulation. (...)", emphasizes Anaïs Escudié, president of RetardVol.fr.



End of the press review

> Follow-up to the referendum on the privatisation of Aéroports de Paris

The consultation mechanism on the privatisation of the ADP group is open from 13 June to March 2020. To lead to a shared initiative referendum (RIP), it requires the signature of 4.7 million voters.

On the Internet, the consultation is signed on the website referendum.interieur.gouv.fr

As of July 7, the consultation had collected 492,000 signatures, or 10.5% of the required signatures.

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

The Air France-KLM share price was €8.89 at the end of Monday, July 8. It is up by 4.15%

The average (consensus) of analysts for the AF-KLM share is 10.47 euros.

The barrel of Brent oil (North Sea) is up from \$1 to \$65.

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.

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| François Robardet

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