

Air France, standing wind against accusations of hiring discrimination



I Letter from the Air France-KLM Director

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Monday's Press Review

> Air France, standing wind against accusations of hiring discrimination

(source: Les Echos) 12 February - **The "name and shame" operation** launched by the French government to publicly denounce companies accused of hiring discrimination **has succeeded in generating a wave of indignation at Air France against its conclusions....** (...)

This "testing" operation was carried out at the request of the government by a research section of the CNRS between October 2018 and January 2019. On an unprecedented scale in France, it consisted in sending 10,349 fictitious applications to 40 large companies, in **order to measure the differences in responses between candidates with European-sounding names and candidates with North African-sounding names, as well as according to their place of residence.** According to the results of this study, presented by the Ministries of Labour and Housing and the Secretariat of State for Women's Rights, Air France is one of the seven companies for which the study reaches "a finding of significant discrimination" on the basis of surname.

(...) **But the method used casts doubt on the validity of the results.**

In the case of Air France, the test on surnames was in fact limited to sending 44 pairs of applications, i.e. two similar CVs, one with a European name, the other North African.

Most of them remained unanswered. Rather than reacting to job offers, **the authors of the study had chosen to send unsolicited applications, without going through the company's website, Air France's sole recruitment channel.** For example, a manager in the company's IT department was surprised to receive an application for a hostess position in his mailbox, which ended up in the suspicious message box.

Eleven applications were nevertheless answered "no negative": 7 for candidates with French-sounding surnames, one for a candidate with a name of North African origin, and three for the two CVs sent in. It is this differential of seven to four out of a total of 44 tests that has led to Air France being classified as a discriminatory undertaking.

Compared to the approximately 100,000 applications processed by the company each year for 4,000 recruitments last year, the size and representativeness of the sample tested appears very small. Moreover, this "testing" method ignores the many proactive actions that Air France claims to take to fight against discrimination. "Of the 4,000 new staff recruited in 2019, 50% will come from the departments where Roissy-CDG and Orly airports are located", emphasizes Laetitia Niaudeau, Air France's Director of Employment, Training and Diversity. "We have also long been active in promoting the integration of disadvantaged young people. (...) »

The company also recalls that it was one of the first large companies to join the PAQTE plan, launched in 2018 by the Ministry of the City, and the "France, a chance. Companies get involved" plan, of the Ministry of Labour, designed to promote professional integration in so-called "priority" neighbourhoods. (...)

This could explain the obvious embarrassment of the government over this investigation. Kept under wraps for eight months, it was finally unveiled under pressure from political figures. Not without precautions. **A curious "cautionary note", attached to the report, emphasizes that "no conclusions can be consolidated and no firm-specific lessons can be definitively drawn" from this study... due to "particular methodological limitations".** A "second phase" of "testing" has already been ordered.

My comment: Many Air France employees expressed their indignation when they discovered this information.

Like them, I can testify, through my past experiences, to the combined will of the company and the trade unions to avoid all forms of discrimination.

This desire is expressed in several ways: in the diversity of recruitment, of course. But also in the reduction of professional inequalities (especially between men and women) during the annual negotiations on salaries.

A lot of noise for nothing, according to the warning note quoted at the end of the article.

> **Transavia will increase its fleet but suffers from a lack of pilots**

(source JDD) 16 February - The almost fluo green brand **Transavia** has long struggled to establish itself in the Air France-KLM galaxy since its creation in 2006. Marked by lacklustre growth and modest profitability, and led by a casus belli with the group's pilots, it rarely aroused the enthusiasm of successive management teams. On Thursday, during the presentation of Air France-KLM's results and its outlook for 2020, Ben Smith could change his tone and confirm that he does indeed have a plan for his medium-haul arm.

"It must become the number one low-cost airline in France in terms of the number of its aircraft based in the country," the CEO ambitions. Transavia should therefore no longer be content to watch its European competitors Ryanair, EasyJet or Vueling take off, some of which have already made France their rear base. She's finally going on the offensive.

This week, a major step will be made official: the obtaining of service rights in Algeria. On 16 January, the Directorate General of Civil Aviation released the list of airlines that will recover the traffic rights of the defunct Aigle Azur. Transavia gets the lion's share. The publication of the agreement with Algeria in the Official Journal by Friday is now just a formality. Nathalie Stubler, Managing Director of the company, is assured of being able to operate flights from Paris to Algiers, Oran, Béjaïa, Constantine, Sétif and Tlemcen, as well as from Lyon to Béjaïa, Constantine and Oran. The Air France subsidiary has also obtained traffic rights to Lebanon from Paris, Lyon and Montpellier.

(...)

Even less than a year ago, these traffic rights and slots would have only snatched half a smile out of Nathalie Stubler's face. It was then limited in the number of aircraft assigned to its fleet. Under these conditions, it is difficult to hope to increase the number of the airline's passengers (16.6 million last year). **For a decade, the opening of each new route was subject to the approval of Air France pilots.** And his fleet couldn't exceed 40 aircraft. This whimsical agreement refers to one of the darkest episodes in the company's social dialogue, which saw a clumsy leadership trapped by the powerful SNPL union.

Ryanair's defecting pilots as reinforcements.

Everything changed in the spring. The members of the same union voted 90% in favour of the development of Air France's low-cost subsidiary. "We never intended to slow down its development but we wanted to avoid any social dumping with two-speed contracts," says Guillaume Gestas, Chairman of the SNPL and himself an Air France pilot seconded to Transavia. At the end of 2019, its fleet consisted of 38 aircraft. (...)

Above all, from April onwards, low-cost airlines will be setting up in a third provincial airport: Montpellier.

"It is at the heart of an area with 2 million potential passengers less than an hour away," says the owner of the airline, which has already been operating for more than ten years in Nantes and Lyon, from where it serves its flagship destinations: Portugal, Spain and Greece. **However, it is still absent from major provincial airports such as Nice and Toulouse, where its competitors have already established strong positions.** (...)

With Ryanair, competition is not only at the airports, but also in the cockpits. Many captains and co-pilots of the Irish have joined the ranks of Air France in recent months. Trained at the 737, they are welcomed with open arms into the group, which is sorely lacking in drivers. The two aircraft expected at Transavia alone require some twenty recruitments.

Transavia also has to compensate for the departures of its current crews, who, according to the company's seniority policy, may be eligible to take over the controls of Air France's more lucrative

long-haul flights after a few years flying medium-haul. A siphoning in the rules that Transavia will have to find a parry.

> **Volotea: +14% in France and 7.6 million passengers in 2019**

(source actu-aero) 13 February - The low-cost airline **Volotea carried more than 7.6 million passengers in 2019 on its entire European network, 1 million more than in 2018.** This 16% increase over the previous year was accompanied by the highest load factor recorded by the carrier since the launch of its activity in April 2012, reaching 94% for the first time in 2019.

In 2019, Volotea recorded 14% growth in France compared to 2018 with 3.3 million passengers carried, for a load factor of 93%. In Toulouse, Volotea carried more than 509,000 passengers in 2019 on more than 3,650 flights operated during the year. In Nantes it carried more than 1,070,000 passengers, 110,000 more than in 2018. It carried more than 119,000 passengers to Lyon in 2019 and operated more than 900 flights. In Marseilles, the airline carried more than 343,000 passengers in 2019, an increase of 28%.

In 2020 Volotea will continue to expand across its entire network with 62,300 scheduled flights and more than nine million seats already available for sale on some 354 routes in more than 90 European cities. **In France, Volotea will be present in 18 airports in 2020 and operates 5 French bases:** Nantes, Marseille, Toulouse, Bordeaux, Strasbourg. In all, it will offer more than four million seats in 2020, with significant increases for Lyon, its new base, and Marseille (+43%). (...)

My comment: European low-cost airlines have long considered that social costs were too high in France to enable them to compete with Air France and the TGV. They have chosen to expand into other markets in Europe.

In recent years, they have changed their strategy as their growth prospects outside France have diminished.

easyJet, then Vueling, Ryanair and Volotea set up bases in France.

For example, Volotea, a Spanish company, generates almost half of its turnover in France.

> **Royal Air Maroc and British Airways share their codes**

(source Air Journal) 14 February - **British Airways and Royal Air Maroc have announced a new code-sharing agreement** that will open new routes in Morocco, including Casablanca and Agadir, to the former. It will also give customers more flight flexibility between London and Marrakech.

Customers of British and Moroccan national airlines can book codeshare flights from 13 February 2020, which will be operational from 20 February, before RAM joins British Airways in the Oneworld alliance on 1 April. (...)

My comment: *The conclusion of this agreement has been facilitated by the forthcoming arrival of Royal Air Maroc within the Oneworld alliance.*

Royal Air Maroc will be the first African airline to become a full member of this alliance.

> **Air Italy announces its liquidation**

(source Les Echos with AFP) 11 February - **Air Italy will no longer fly.** The ailing Italian airline, which has accumulated hundreds of millions of euros in losses, announced on Tuesday that it is going into liquidation. (...)

Air Italy, formerly Meridiana, is 51 % owned by the Prince Aga Khan and 49 % owned by Qatar Airways. Launched with great fanfare two years ago, Air Italy had banked on "the difficulties of Alitalia", the main Italian airline, according to the specialist daily "Il Sole-24 Ore". A calculation that turned out to be wrong.

According to this newspaper, Air Italy has lost 164 million euros in 2018 and according to the daily "La Repubblica" the loss in 2019 is about 200 million euros. The **liquidation is expected to result in the loss of some 1,200 jobs**, according to the same source. (...)

My comment: *In 2018, when Air Italy was in great difficulty, Qatar Airways took a significant stake in the company.*

Qatar Airways was trying to circumvent the agreement between Qatar and the United States, which limited the number of Qatar Airways flights to the United States.

US airlines reacted in April 2019, forcing Qatar Airways to back down and precipitating the collapse of Air Italy.

> Turkish airline AtlasGlobal goes bankrupt

(source Belga) 14 February - **Turkish airline AtlasGlobal has filed for bankruptcy**, local aviation authorities said Friday. The company, which has not yet confirmed the information, has grounded all its aircraft.

The company had been experiencing financial problems for some time. In particular, it is said to have suffered from the attacks in Turkey in 2015 and 2016 and from the upheavals of the Turkish lira.

In November, the company had already cancelled all its flights before resuming them at the end of December.

The Turkish media speculated this week about an imminent bankruptcy. **AtlasGlobal flies with 25 aircraft to domestic and foreign destinations.**

> Norwegian hopes to come out of the red in 2020

(source: Les Échos) February 13 - There are two ways to look at Norwegian's 2019 results. For the **pessimists, the Norwegian low-cost airline remains in the red, for the third consecutive year**, with a net loss of 160 million euros, slightly higher than in 2018 (150 million euros, for a turnover of 4.3 billion euros). This is in contrast to Norwegian's goal of returning to profit in 2019. On the other hand, **optimists will point out that Europe's leading long-haul low-cost airline, which many analysts believe will be dead by the end of 2018, has not only escaped bankruptcy**, but that it now has good reason to expect to emerge from the tunnel this year.

Behind the net loss for 2019 lies a doubling of the gross operating profit from 310 to 650 million euros and a higher than expected cost reduction, which has been increasing. In the fourth quarter, Norwegian was able to increase its unit revenue by 16%, while reducing its supply by 19%. In total, the company will have saved 230 million euros in 2019, while increasing its turnover by 8%.

In addition, **Norwegian's business in 2019 has been heavily penalised by the flight ban on its 18 Boeing 737 Max aircraft and Rolls-Royce engine problems on its long-haul Boeing 787 aircraft.**

Two handicaps which should disappear this year and which should even earn him compensation from Boeing and Rolls-Royce.

Under the leadership of its new CEO, Jacob Schram, **Norwegian has also completed the renegotiation of its debt, with the support of the Norwegian state-owned bank DNB** . It also renegotiated aircraft deliveries, sold part of its fleet of Airbus and Boeing single-aisle aircraft and extensively restructured its long-haul network. And yet it remains one of Europe's leading airlines, with 36 million passengers carried last year (down 3%) and more than 160 aircraft. (...)

My comment: Norwegian's concerns illustrate how difficult it is for a low-cost short-haul company to get into a long-haul business.

The relevance of the low-cost long-haul model remains to be demonstrated.

> Airbus will assume sole responsibility for the difficulties of the A220 program with the purchase of Bombardier shares

(source: Les Echos) February 13 - Pressed by the weight of its debt and the lack of liquidity, **Bombardier finally had to resolve to sell the 33.5% remaining in the A220 program**, which it had itself launched in 2004, under the name of Cserie. Airbus is now almost the sole master on board, with its stake increasing from 50.01% to 75%, while the Quebec government holds the remaining 25% until 2026. (...)

At first glance, Airbus is buying a programme at a good price.

After paying one symbolic dollar for 50.01% of the shares in 2018, the group will pay \$591 million to increase its stake in Airbus Canada, the subsidiary in charge of the A220, to 75%. The transaction also provides for Airbus to acquire, through its subsidiary Stelia Aerospace, Bombardier's production capacity in Saint Laurent, Quebec, used for the A220, as well as for A330 parts.

For the price of two A350s, the European aircraft manufacturer is getting back a program in which Bombardier and the Quebec government have already invested a total of more than \$6 to \$7 billion. This is despite the fact that the A220's order book has almost tripled from 243 orders in 2018 to 658 at the end of January. (...)

Compared with its only competitor, the Embraer E2, the A220 has clearly widened the gap since it has been marketed by Airbus

teams, both in terms of quantity of orders (180 for the E2) and quality. It has won several major contracts, including an Air France order for 60 aircraft. The A220 has thus established itself as the low-cost successor to the A318 and the natural complement to the A320 family, but also as a serious competitor for the Boeing 737 Max 7.

But Airbus is not out of the woods yet. In the words of the Airbus CFO (...), the A220 programme will not be profitable, at best, "until the middle of the decade". (...)

In order to reduce its costs, Airbus has already asked its suppliers to lower their prices by 20%. But this effort must be offset by a very sharp increase in deliveries, which should rise from 48 aircraft last year to around 160 by 2021.

In addition, **Airbus is still facing technical problems with the Pratt & Whitney engines of the A220.** After several serious in-flight incidents, apparently linked to an overheating problem, the European Aviation Safety Agency last October imposed operating restrictions on European A220 operators, first and foremost Swiss and Air Baltic. A220 aircraft must not fly at full power above 29,000 feet (8,840 metres) or in icing conditions. **The American engine manufacturer has started to replace defective engines at its own expense. But as with the A320 neo, this engine problem risks delaying the ramp-up and breaking the commercial dynamic.** (...)

Finally, **Airbus will sooner or later have to decide whether or not to reinvest in a new extended version of the A220, as several customers, including Air France, are calling for an A220 with more than 150 seats, which** could replace the A319 or even the A320 on certain routes. But apart from the uncertain profitability, Airbus must be careful not to compete against itself.

***My comment:** Engine manufacturers are developing increasingly efficient engines, in terms of noise and fuel consumption. Each new generation has resulted in a consumption saving of 20%.*

They are also increasingly difficult to develop. This may explain the problems encountered on the A220, the A320 neo and the B787.

> Airbus unveils Maveric, its aircraft of the future

(source Le Figaro) 11 February - **Airbus has chosen to lift the** curtain on the Singapore Air Show (11-16 February) this Tuesday 16 February

to lift the **veil on a hitherto secret project. His code name: Maveric. This strange device is in the form of a flying wing**, which prefigures what will be, if the project is validated in a few years after being tested at length, a possible successor to the A320neo, the best-seller of the European aeronautics giant.

Airbus will be presenting a large scale model on its stand, 2 metres long and 3.2 metres wide, with a surface area of approximately 2.25 m². The manufacturer also built a scale model of the aircraft, which it first flew in June 2019. Since then, it has been pursuing flight tests that will be completed at the end of the first half of 2020.

It is at this point that Airbus may decide to go further by building an even larger demonstrator to take the project through further validation stages.

Maveric integrates the engines into the aircraft fuselage, unlike today's airliners, whose cigar-shaped silhouette with the engines hung under the wings has not changed in fifty years. (...) The **manufacturer estimates that the completed version of Maveric would be even more energy efficient with a 20% reduction in jet fuel consumption compared to the A320neo (...)**.

***My comment:** The configuration of the Maveric has similarities with the configuration of the aircraft unveiled by KLM on the occasion of its centenary. You will find pictures of both projects on the home page of my site navigation.*

Their configuration has a better aerodynamic finesse, which makes it possible to envisage a consequent reduction in consumption.

However, specialists estimate that with the same number of seats, the weight and wingspan of this aircraft would be greater than that of a conventional aircraft. This would reserve this technology for small short-haul carriers.

> Despite the resumption of test flights, the future of the 737 MAX remains uncertain.

(source Legendary Aircraft) February 16 - It's been a **strange week for the American single-aisle jet**, a mixture of hope and disappointment. (...)

On **Monday, February 10, 2020, Boeing publicly admitted to the**

American media that it had re-launched the flight test campaign for its 737 Max family three days earlier. For this purpose the flights are carried out with the aircraft with civil registration N7201S. (...)

However, further test flights still have to be carried out before the certification flights, which are carried out by the US Federal Administration, can begin.

Because **the Federal Aviation Administration has insisted that the flights performed by Boeing on its short version of the 737 Max did not affect the type certification of the aircraft.** The divorce between the aircraft manufacturer and the FAA seems to have been consummated. An announcement that didn't really reassure the manufacturer's employees and shareholders.

And this **Friday, February 14, 2020**, three American airlines were putting on a new layer. **American Airlines, Southwest Airlines, and United Airlines announced that they do not expect their 737 Max fleet to return to normal until the second half of next summer at the earliest.** First it is Southwest Airlines which should bring them back into service on August 10, 2020, followed on August 18 by American Airlines, and finally on September 4 by United Airlines.

For the record, American Airlines currently owns 24 of the 13737 Max 8s it ordered. Southwest Airlines has thirty-four 737 Max 8s out of a total of two hundred and eighty purchased, while it does not have any of the thirty 737 Max 7s it has acquired. United Airlines is finally aligning fourteen of the eighty-five 737 Max 9s purchased. Obviously all these planes are now banned from flying, causing these carriers to lose tens of thousands of euros every day. (...)

> Aircraft, pollution and CO2: the biased opinion of the general public

(source TourMag) 11 February - A study unveiled on Monday 10 February 2020 by the Pegasus chair, dedicated since 2019 to the economy and management of air transport and attached to the Montpellier Business School, shows the gap existing between the general public and the air sector on the environmental issue, and was presented as a preview at the last congress of the Union of French Airports (UAF).

This report, signed by 7 researchers, makes one clear observation: "overall, **the French strongly overestimate the CO2 emissions of**

air transport while underestimating the efforts made by the sector", according to Paul Chiambaretto, who heads the Pegasus Chair.

While **the scientific consensus on the environmental impact of air transport is that the contribution of global aviation to global CO2 emissions is between 2 and 3% (in comparison, Internet-related activities account for 4% and textiles and clothing for 8-10%)**, more than 80% of French people think that air **transport** pollutes more than these two sectors.

At the same time, 90% of respondents overestimated the share of air transport in global CO2 emissions, and 50% thought it accounted for more than 10%.

While CO2 emissions per passenger carried have decreased by 25% over the last 15 years, 90% of respondents also believe that they have increased or been stable.

Another lesson from the document is that the term "flygskam" (the shame of flying) has become widely used online during 2019.

Whether through tweets, Google searches, or in the online press, the term flygskam essentially developed on the networks during the summer of 2019, **before seeing its occurrences decrease from the fall of 2019.**

All this with a very uncertain impact on air traffic. **"If flygskam seems to have an impact on domestic traffic in Germany or Sweden, this does not seem to be the case in France**

. The effect of the flygskam is therefore not certain (...)", it reads.

In any case, "while it is crystallizing the environmental criticisms, the air sector is paradoxically making the most effort in this area," summed up Paul Chiambaretto at the UAF congress last November, pointing to a clear disconnect between the growth in traffic and the growth in CO2 emissions from the air sector.

"It is necessary for all air transport players to show pedagogy regarding the environmental efforts already made, while at the same time emphasising the need to adopt even more ambitious targets for the absolute reduction of their CO2 emissions," he concludes.

End of the press review

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

The consultation procedure on the privatisation of the ADP group has been open since 13 June and will run until March 2020. It requires the signatures of 4.7 million voters to lead to a referendum on a shared initiative (RIP).

On the Internet, the consultation can be signed on the site referendum.interieur.gouv.fr

By 17 February, the consultation had collected 1,106,000 signatures, i.e. 23.45% of the signatures required.

***My comment:** Since the one million signatures milestone was passed (early December) the number of signatures has been stagnating.*

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

The Air France-KLM share is at 8.804 euros at the close of trading on Monday 17 February. It is up +10.15%. It's back to the level it was at the beginning of the coronavirus outbreak.

The average (the consensus) of analysts for the AF-KLM share is 11.13 euros.

Brent crude oil (North Sea) is up \$5 to \$58 per barrel. When the coronavirus outbreak started, it was \$69.

This indicative information in no way constitutes an invitation to sell or a solicitation to buy Air France-KLM shares.

You can react to this press review or provide me with any information or thoughts that will help me better carry out my duties as a director of the Air France-KLM Group.

You can ask me, by return, any question relating to the Air France-KLM group or employee shareholding...

I'll see you soon.

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| François Robardet

**Director Air France-KLM representing employee
shareholders PS and PNC**

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