

A little softness.....



## I Letter from the Air France-KLM Director

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

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### *Editorial*

*Like most Air France-KLM employee readers, I will be partially active as of next Monday (after the holidays I have been planning for the last two weeks). I will of course continue to publish this letter.*

*Whether with my predecessor, Christian Magne, or with me, it has been published without exception every week since November 2005. If sometimes you haven't received it, it can only be due to a transmission or spamming problem. This is the occasion for me to remind you that you can find these letters on my blog [navigaction.com](#)*

*During this crisis, which promises to be painful, I have decided to provide you with letters that are much longer than usual. One way for me to help you through this period of containment.*

*Let us be strong and remember to respect the rules that are prescribed for us. The virus has no smell, no colour, makes no noise. It is our individual responsibility to help stop its proliferation.*

*And thank you to all those who work to make our daily lives easier and who care for our patients.*

## *Monday's Press Review*

> **A little softness.....**

(Author unknown) March 20 - **It was March 2020.**

The streets were empty, the shops were closed, people couldn't get out.

But the spring did not know and the flowers started to bloom, the sun was shining, the birds were singing, the swallows would soon arrive, the sky was blue, the morning came earlier.

**It was March 2020.**

Young people had to study online and find jobs at home, people could no longer go shopping or get their hair done. Soon there would be no more room in hospitals and people continued to fall ill.

But spring did not know, the time to go to the garden was coming, the grass was turning green.

**It was March 2020.**

People have been put in lockdown to protect grandparents, families and children. No more reunions or family celebrations. The fear had become real and the days were the same.

But spring didn't know. Apple trees, cherry trees and others blossomed, leaves grew.

People began to read, to play with their families, to learn a language. They sang on the balcony, inviting the neighbors to do the same. They learned to be supportive and focused on other values. People realized the importance of health, the suffering of this world that had stopped, the economy that had plummeted.

But spring didn't know. The flowers had given way to fruit, the birds had made their nests, the swallows had arrived.

**Then the day of liberation came**, people learned about it on TV. The virus was gone, people took to the streets, singing, crying, kissing their neighbours, without masks or gloves.

And that's when summer came, because spring didn't know. It continued to be there in spite of everything, in spite of the virus, fear and death.

Because spring didn't know, it taught people the power of life.

Everything is going to be all right, stay home, protect yourself, and you will enjoy life.

Smile, dream and stay in love...

### > **Air France-KLM: mobilization for repatriations**

(source CercleFinance) 19 March - **Air France said it was working closely with the French authorities to 'identify the needs for repatriation of French and European nationals and to put in place as quickly as possible additional transport solutions at specific fares'.**

This concerns in particular Portugal, North Africa, Senegal, Madagascar, Tahiti, Argentina, Cuba, Costa Rica, Mexico, Peru, the Dominican Republic, Jordan, Thailand, the Maldives and Vietnam. For example, since the announcement of the restrictions on Morocco, **more than 100 flights have already been put in place by Air France and Transavia** to ensure returns," the Franco-Dutch airline company points out.

### > **Almost all clients of travel agencies will be back this weekend (Pratiquement tous les clients des agences de voyage reviennent ce week-end).**

(source ANP translated with DeepL) 20 March - Several Dutch travel organisations are working to bring all Dutch tourists staying abroad back to Holland. (...)

The airline **Transavia [Netherlands] carries out a large part of the repatriation flights**. Flights arrive on Fridays and Saturdays from Faro to Portugal, Spain and Morocco. Transavia has already welcomed 5,500 tourists up to and including Wednesday, and up to and including Saturday, there are about a thousand additional travellers. **KLM also operates numerous flights to pick up tourists and others who have visited embassies and want to return to the Netherlands**. This mainly concerns locations outside Europe. As of next week, the number of intercontinental flights operated by KLM will be rapidly phased out. (...)

***My comment:*** All the companies of the Air France-KLM Group are mobilized to repatriate the French and Dutch. Special flights have been planned.

*A big thank you to the employees on the ground and at sea who volunteered. For some of them, it was an opportunity to fly one last time on aircraft whose crisis will no doubt precipitate the withdrawal from the*

*fleet: KLM's B747s, Air France's A380s and A340s.*

## > **The 45,000 Air France employees on short-time work**

(source Le Parisien) March 22 - **The photo will undoubtedly illustrate the history books. Imagine, almost all of the 224 planes of the Air France fleet grounded**, parked in the Paris airports, waiting for the end of the coronavirus epidemic.

**From this Monday, the French airline will only operate 10% of its flights.** The fault of the confinement which concerns, since this weekend, nearly a billion people in 35 countries of the world and limits to a handful of destinations still accessible by plane. A disaster for the airlines.

**For Air France's 45,000 employees, this will lead to them being placed in "partial activity" as of Monday for a maximum period of six months.** This is a radical measure, the first applied on this scale for a large group but which should affect others, particularly in the automotive industry.

Air France's management plans for 20% of employees to work. In other words, one day in five. But **in return, they receive at least 84% of their net pay.** "We would have liked more, [editor's note: according to several unions]. **At KLM, they will receive 100% of their salary.** But given the economic situation, we have no choice.

On Friday 20 March, at the various ESCs (Social and Economic Committee), most of the trade unions voted in favour of the measures advocated by management: "Only the CGT and SUD abstained, and the SPAF (editor's note: the second pilots' union after the SNPL) voted against," explains the trade unionist. But we expressed some reservations. In particular, we asked for support for the lowest wages. A reflection is under way with the management to create an additional support fund.

"Throughout the weekend, the new schedules were updated and sent to employees. **The vast majority will have a period of inactivity of 80%, but this may change over time and according to the sector**", explains Air France. Thus, the payroll, maintenance, call centers and the people directly involved in the crisis unit - the time needed to manage the repatriation of French nationals - should see their part-time working hours reduced slightly, at least initially.

**As for the 13,000 hostesses and stewards and the 4,000 pilots, they will also be put into partial activity, but with different arrangements.** Indeed, their professions come under the Transport Code and not the Labour Code, and short-time working is not included. Until the Directorate General of Civil Aviation (DGAC) fills this gap, they will be paid the "guaranteed minimum wage". That's the pay we get

when we don't fly, without the extra pay," says a chief purser with more than 20 years' seniority. For me, it represents 20% to 25% less pay. That's about 1,000 euros per month. In any case, we have no choice. As long as I keep my job, that's the main thing. »

**My comment:** For Air France ground staff, the financial situation is clear. During periods not worked they will be compensated between 85 and 90% of their net income.

The situation is different for seafarers, since their net income varies every month according to their activity, a situation that is unique in France.

A solution is being developed for them, so that they are not penalized more than their colleagues on the ground.

### > **KLM houdt vast aan schrappen duizenden banen, bonden verbaasd (KLM persists in cutting thousands of jobs, unions are stunned)**

(source Volkskrant, translated with DeepL) 20 March - (...) **KLM confirms to the Volkskrant that it still wants to reduce from 1,500 to 2,000 FTEs.** That's right," says a spokesman. **This concerns employees who retire or find jobs elsewhere, but also "temporary workers and non-renewed temporary contracts".** (...) The airline's attitude comes as a surprise to the unions, which reached an agreement with KLM at the end of last week on the reduction in working time requested by the company. **KLM is using a new regulation created by the cabinet to pull the economy through the Coronavirus crisis. Companies will receive 90% of the salary of employees who have nothing to do because of the coronavirus.**

The programme was explicitly "also intended for flexible workers or people with a 0-hour contract", Social Affairs Minister Wouter Koolmees said on Tuesday. In a subsequent letter to the Lower House, the cabinet asked companies to "keep employees as much as possible at work for the hours worked". (...)

**What matters, according to the trade unions, is that these are the most vulnerable workers.** (...) Their temporary employment agencies can also use the Koolmees programme and continue to pay them during the crisis, but what if they don't feel responsible either? (...)

A spokesman for Minister Koolmees says he is not in a position to comment on specific companies. In general, she confirms that the call to companies is to retain all employees. Flexible workers must also pay

their bills.

In another response, **KLM stated that it would retain as many employees as possible and that discussions with trade unions would follow.** The company asked for understanding for the "huge decrease in work" and predicted that after the crisis it would take some time before flights would go on as usual. **Of course, the intention cannot be to hire temporary workers if there is no work for them.**

***My comment:** In both the Netherlands and France, employees are offered permanent or fixed-term contracts or through a temporary employment agency (temping).*

*The Netherlands, like Great Britain, also has the Zero-Hour Contract. It allows an employer to offer the employee a fully flexible employment contract, for a fixed or indefinite period. The employer calls on the employee every week according to his or her needs. (Note: 70% of Ryanair pilots are on zero-hour contracts).*

*These employees on zero-hour contracts are the first to be affected by the crisis. But they are not the only ones.*

*At both Air France and KLM temporary contracts, contracts with subcontractors have generally been suspended. Thousands of employees are affected by these measures.*

### **> Air France subsidiaries Transavia and Hop! are preparing to suspend their flights**

(source AFP) 18 March - Air France-KLM's low-cost subsidiary **Transavia France** and its regional subsidiary **Hop! are preparing to suspend all flights in the** coming days due to the coronavirus epidemic, the group was told Wednesday. (...)

The company is currently participating in the repatriation of French citizens stranded abroad while many countries (Senegal, Morocco, Algeria, Turkey...) have suspended air links to Europe.

Since Saturday, Transavia has made 70 flights to repatriate 13,200 passengers from Morocco and Tunisia, according to the spokesman. (...)

Regarding Hop! (69 aircraft), the regional subsidiary of Air France, "operations will be temporarily suspended by the weekend," an Air France spokesman told AFP. (...)

These decisions are part of the reduction in the flight schedule announced on Monday by Air France-KLM. The Franco-Dutch group

plans to reduce its activity by 70% to 90% over the next two months at least.

**Air France's activity is being gradually reduced this week to reach "from Monday 10% of the seat offer"**, according to a spokesman, who said that the Air France-KLM group's overall offer will therefore be between 10 and 30% by that date, as planned.

***My comment:** Hop! and Transavia are going to stop all their flights. For both Air France and KLM, the offer could drop below 10% if the health situation does not improve.*

### > **Transavia will not fly for another week and a half (Transavia Pays-Bas prolonge la suspension de ses vols)**

(source Luchtvaartnieuws, translated with DeepL) 20 March - **Transavia Netherlands has decided to extend the suspension period for all flights by a week and a half (...) until 15 April.** (...)

**It is not at all certain that it will be possible to fly again from 15 April.** "Transavia will decide every week whether an extension of this period will be necessary. Our passengers will be informed by e-mail and on the website and will receive a voucher equal to the value of their trip".

### > **Air France-KLM: France and the Netherlands on the same route**

(source Le Figaro) March 19 - The **Minister of Economy, Bruno Le Maire, was very clear on Wednesday. He will not take "any decision without close consultation" with the Netherlands on the Air France-KLM group.** This clarification was necessary, as relations between the two countries, which are almost equal shareholders in the group (a little over 14%), are tense. France criticises the Netherlands for being a shareholder in both the Air France-KLM group and its subsidiary KLM, which is not the case on the French side.

It is also important, insofar as the French government has not ruled out taking a stake in the group's capital in order to provide it with some fresh money and protect it from a possible predator, even though its value on the stock market has fallen since the start of the Covid-19 epidemic.

Bruno Le Maire spoke on Wednesday with his Dutch counterpart, Wopke Hoekstra. "We have excellent political and economic cooperation with the Netherlands," the French minister said. Air France-KLM is a partnership that works and we want a very close cooperation - and it is - between the two governments".

Moreover, the **two countries will not be too much to help the group**

**face the worst crisis in its history.** With this epidemic, Air France-KLM is in the process of reducing its offer by 70 to 90%. On the Air France side, it will be reduced by 90% as of Monday. (...)

***My comment:** That goes without saying, but it goes better when I say it. If Air France-KLM needed an injection of money via a capital increase, this could only be done in full transparency between the main shareholders: the French State, the Dutch State, as well as China Eastern and Delta Airlines.*

### > **Air cargo under pressure in the face of the health crisis**

(source: Le Journal de l'Aviation) 20 March - At a time when borders are closing and countries are turning in on themselves, air cargo is one of the latest openings to the world and the guarantee of a minimum of continuity in trade. **The air freight sector is particularly busy at the moment, even though a large part of the capacity has disappeared, as the holds of passenger aircraft are no longer available.**

Companies are therefore getting organised and calls to facilitate their operations are multiplying. (...)

Carsten Spohr, **the Chairman of Lufthansa, reminded us of this in** his speech on 19 March: "the demand for cargo is increasing every day and the planes are full. "He explained that 50% of the group's freight transport capacity is represented by the fleet of all-cargo aircraft (...), the other half of the capacity is made up of the 350 aircraft bunkers. "It would not be realistic to fly all of them to maintain capacity but **we are ready to use part of our A330, A350 and 747-8 fleets, which have capacities of 40 to 60 tonnes, to support airlift supply chains if necessary.** "» . (...)

Others have already taken the plunge. This is the case of Qantas, which uses certain passenger aircraft to support its all-cargo fleet, Korean Air and Cathay Pacific. Even American Airlines is preparing for it. American Airlines is planning to use 777-300ERs to carry cargo between the United States and Europe. The first flight is scheduled for March 20 from Dallas to Frankfurt - the first cargo flight it has made since it withdrew its last 747 freighter in 1984.

**This pressure on capacity comes after a difficult year for air freight,** marked by a 3.3% drop in demand and a 2.1% increase in capacity. (...)

***My comment:** While passenger transport is virtually at a standstill, the same cannot be said for freight transport.*

*To meet the demand, most airlines are considering using "passenger"*



*aircraft in addition to all-cargo aircraft.*

## > **Delta expects revenues to drop \$10 billion.**

(source AFP) March 20 - **Delta Airlines warned Friday that the coronavirus pandemic would cause a US\$10bn drop in revenues in the second quarter**, urging employees still hesitant to leave the company. (...)

"It is clear that given the damage the virus has caused to the economy in general, the **recovery in demand (in air transport) will take a long time even after the virus has been contained**," Delta said.

**The airline's recently launched voluntary departure plan**, which burns US\$50 million a day, **has already recorded 13,000 departures to date, or more than 14% of its workforce**, Delta says. (...)

Delta, which employed 91,000 people on 31 December, according to its annual report, has requested, in consultation with the other airlines, public aid to survive. This aid amounts to US\$ 50 billion, but elected members of Congress want to make their support conditional. In particular, there are calls for the airlines to abandon share buyback programmes, which allow shareholders to be remunerated by artificially boosting the share price.

Mr Bastian said Friday that Delta has already decided to suspend its share buyback programs and that the board of directors has also voted to suspend future dividend payments.

However, he did not hesitate to put pressure on the authorities by announcing that Delta will use the US\$3 billion revolving credit line granted to it by banks. The company has only been able to obtain a new credit facility of US\$2.6 billion. In

other words, **time is running out, because once Delta has used the US\$5.6 billion, it is likely to run out of cash.** (...)

***My comment:** As of December 31, 2019, Delta Airlines had \$3.73 billion in cash on hand, plus \$5.6 billion in bank credit.*

*In terms of 2019 revenues, Delta Airlines has slightly less cash than the Air France-KLM group (20% vs. 26%).*

## > **Share buybacks: the smouldering financial scandal in the United States**

(source: Capital) 20 March - While claiming tens of billions of dollars for their rescue, the major airlines are accused of having burned up their cash flow by buying back their own shares. The "buyback", a controversial tool that artificially supports the prices.

The airline industry is going through its biggest crisis since 9/11, grounded by the coronavirus epidemic. Without massive government support, almost all airlines will be bankrupt within a handful of weeks.

**American Airlines, United Airlines and Delta Airlines have estimated that the industry needs \$25 billion in subsidies and \$25 billion in loans and tax breaks to survive.** They are also calling for tax relief until at least the end of 2021, which could amount to tens of billions of dollars.

From that point on, there **are voices in the ranks of American parliamentarians pointing to the irresponsible behaviour of the directors of these companies. The four largest companies (Delta, American, Southwest and United) have collectively spent \$39 billion to buy back their own shares over the last five years,** according to S&P Dow Jones Indices, a US company that provides financial data. **These transactions were done out of their cash flow, which is sorely lacking today.**

"We've told Congress that any financing for the aviation industry has to have strict rules," said Sara Nelson, president of the Association of Flight Attendants, a union of flight attendants. "There will be no public money for CEO bonuses, share buybacks or dividends," she said. "If so much public money is raised, then that should include a ban on reinstating share buybacks," tweeted Democratic Representative Alexandria Ocasio-Cortez.

### **Buying back his own shares, what's the point?**

Companies use their cash to buy back their shares for several reasons. It is used to "burn" shares, which mechanically increases the earnings per share of the remaining shares. This can be useful, for example, in the case of a company that issues a lot of new shares to compensate its executives. Buying back shares can then mitigate dilution to the capital of other shareholders. Most of the time, this tool supports the stock price. So much for the concept, but it can lead to drifts.

"The controversy surrounding share buybacks is intensifying," says Nicolas Chéron, head of market research for broker Binck. **"Companies have preferred to thank their shareholders by supporting the prices of their own shares rather than by cleaning up their finances or building up a large cash position. As a result, hit hard by the Covid-19 crisis, they are absolutely unable to cope and are asking the state for help,"** he adds. "The share buybacks have been an artificial support for Wall Street," says Sacha Pouget, associate director of the strategy consulting firm KB Advisors. "Companies that have used this scheme should be banned from using it if one cent of public money

is spent on them". (...)

**My comment:** *The US airlines have anticipated the scandal: they have already pledged not to buy back any more of their shares.*

*Will this be enough to convince Congress to grant them the aid requested?*

### > **Lufthansa does not expect to resume flights for another three months**

(source: Le Journal de l'Aviation) March 19 - The conference organised by Lufthansa to present its annual results for 2019 has been totally disrupted by current events and has turned into a "coronavirus crisis conference" in the words of Carsten Spohr, the group's CEO. And the least that can be said is that the outlook for 2020 is not good: "For the past few days, nobody wants to fly anymore. For the past few days, nobody has been allowed to fly anymore," he says. **Carsten Spohr announced a further reduction in the flight schedule starting next week and said that the future of air transport would be very bleak if governments did not come to the rescue of airlines.** But he remains optimistic that the Lufthansa Group is among the best equipped to withstand this crisis.

After the standstill of Brussels Airlines and Austrian Airlines, further cuts will be made in activity. As of 25 March, 95% of flights will be suspended and 700 of the 763 aircraft of the group will be grounded. (...)

"[...] We will hold out longer than others", says Carsten Spohr. The head of **Lufthansa** points out that the group **has a good level of liquidity (€4.3 billion) and available credit lines amounting to €800 million.** In addition, it owns 86% of its fleet, and almost 90% of these aircraft are not already committed as collateral for credit, representing a book value of €10 billion. It is therefore in a position to obtain loans - but it is not in a position to sell its fleet.

Furthermore, the fact that the fleet is no longer flying will reduce its costs by 60% (for example by eliminating fuel expenses). "That won't be enough. "The group will therefore work to reduce its fixed and semi-fixed costs by a third (8 billion euros in 2019). This will involve "drastically reducing" certain investments - they were expected to exceed 3 billion dollars in 2020, negotiations are underway with Airbus and Boeing -, the termination of wet lease contracts, social measures (hiring freeze, elimination of overtime, unpaid leave, part-time work), the suspension of all training and MRO operations not related to safety, marketing expenses (.....)

**"For the moment, we have three scenarios, one based on a flight**

**schedule of 5% to 10% over three months, another over six months, and the last over twelve months. I would be very happy if we could fly this summer, but we can't expect a normal flight schedule, it will be a special schedule because we need reservations.** "Carsten Spohr is also concerned about the face of air transport after the crisis, especially the demand from high-contribution passengers and businesses. **"The questions we are asking are what the structure of the industry will be after the crisis, what will be the structure and size of the Lufthansa Group and what will be the role of European aviation in a world that will have changed profoundly? »**

***My comment:** This article provides some interesting comparative elements, which may reassure us about the near future of the Air France-KLM Group:*

*. Lufthansa planned to invest 2.8 billion euros in 2020, Air France-KLM 4 billion euros (on average over the next 5 years). It will be easier for Air France-KLM to reduce its investments*

*. Lufthansa has €5.1 billion in cash at its disposal, less than Air France-KLM which has €6 billion.*

*As a reminder, the Air France-KLM Group communicated on 13 March 2020:*

*"Last week, the Air France-KLM Group drew down a revolving credit line for a total amount of 1.1 billion euros and KLM drew down a revolving credit line for a total amount of 665 million euros. 665 million. The Group and its subsidiaries thus had more than 6 billion euros of liquidity at 12 March."*

### **> Ryanair suspends all its flights**

(source Business Travel) March 19 - The company announced that it will finally suspend all its flights from March 24th... (...)

**Ryanair has just indicated on its website that it will suspend all its activity from 24 March.** This is an unprecedented peacetime measure. It states on its website: "In recent days the development of the virus has led European governments to impose major restrictions on travel which has had a negative impact on Ryanair and has led to numerous cancellations...From 18 March at 24H to 24 March at 24H, flights will be reduced by 80% and from 24 March at 24H most planes will be grounded". (...)

### **> The Italian State to take control of the airline Alitalia**

(source Le Monde) 18 March - This is the first decision of this type, and probably only the beginning of a long list of nationalisations, temporary or not, guided by the urgency born of the need to respond to the challenge of the coronavirus. During the night of Monday 16 March to Tuesday 17 March, **the Italian government announced its willingness to proceed, in the coming days, with the nationalisation of the national airline Alitalia, which has been in great difficulty for years.**

For the time being, the conditions for public intervention remain very unclear. "The State foresees the creation of a new company fully controlled by the Ministry of Economy, or controlled by a company with a majority public participation, even indirect," the terms of the decree, signed by the President of the Republic, Sergio Mattarella, provide. In other words: **the outlines of the operation are not known, but it is essential to continue to have a national air force**, considered a strategic asset at a time when the country has been gradually cut off from the rest of the world in recent days as the borders have been closed. With this in mind, and in addition to placing 4 000 employees on short-time work, **the Italian State has reportedly allocated EUR 600 million to the aviation sector - of which Alitalia represents the bulk** - for 'natural disasters'. The figure, which was unofficially released, has neither been confirmed nor denied.

**The European Commission, whose competition services had opened a second investigation in February on suspicion of illegal aid, following a €400 million loan granted by the Italian State at the end of 2019 (the first investigation, concerning another €900 million loan, dates back to 2018)**, recognised that in view of the situation, there was no reason to oppose the measure. "Like others, Alitalia is and will be strongly affected by the situation", a Commission spokesman said on Tuesday, arguing that the Treaties "allow states to give aid to compensate for damage caused by exceptional circumstances". Placed under trusteeship The airline, most of whose aircraft have been grounded by the closure or restriction of international air routes, is therefore saved. **Before the start of the health crisis, however, its days seemed numbered.** Too "small" compared to the giants of the sector, burdened by high operating costs and considerable debt and facing competition from the large low-cost airlines, Alitalia carried 22 million passengers in 2018, compared to 142 million for the Irish Ryanair and 180 million for the German Lufthansa and the American Delta Airlines. (...)

**In the immediate future, and unexpectedly, the survival of the Italian national airline is assured.** Will the state have the means to pay the cost of this (re)takeover for a long time, when its already

precarious situation will inevitably deteriorate due to the consequences of the pandemic? Nothing is less certain, and several opposition leaders have expressed concern about the long-term consequences of this decision. **For the time being, the Italian government does not have the luxury of thinking in years, whereas the situation requires us to think in terms of the day-to-day.**

***My comment:** Year after year, Alitalia's disappearance is announced as inevitable. Yet the Italian airline is still there.*

*Maintaining it at all costs has a price: 900 million in 2018, 400 million in 2019, 600 million in 2020. Not forgetting the sums invested by KLM, then by Air France-KLM, then by Etihad Airways.*

### > **Norway brings a breath of fresh air to the aviation sector**

(source AFP) 20 March - **Norway** is going to bring a breath of fresh air to its airline sector weakened by the Covid-19 pandemic by pledging to provide 6 billion crowns (502 million euros) in guarantees to the companies.

Following a compromise between the centre-right government and the opposition, the Nordic country is **offering** 3 billion kroner (€251 million) in guarantees to **the low-cost airline Norwegian Air Shuttle** and 1.5 billion kroner (€125 million) each to the incumbent carrier SAS and regional airlines such as Widerøe.

In detail, the State will take over 90% of the guarantees, the remaining 10% will be provided by third party banks, financial institutions or commercial actors. (...)

Its boss Jacob Schram (...) had warned that the survival of the low-cost company, which was plunging under a colossal debt, was a matter of "a few weeks" due to a lack of new liquidities and had called for state aid. To respond to the crisis, the company announced the cancellation of 85% of its flights and the partial unemployment of 7,300 employees. (...)

The Norwegian government had already announced last week a temporary suspension of the passenger fee and airport tax, measures which the companies consider insufficient.

**On Tuesday, neighbouring Sweden and Denmark had also come to the aid of SAS by committing to provide more than €275 million in the form of state guarantees. (...)**

***My comment:** Some people believe that the Covid-19 crisis is a godsend for airlines that were in trouble before the virus arrived. This*

*has to be qualified; in most cases, government support takes the form of financial guarantees, not cash payments.*

*It will be up to the airlines to repay these sums, with interest, once the crisis is over.*

### > **India considers \$1.6 billion rescue package for aviation sector after coronavirus crisis**

(Reuters source, translated with DeepL) March 18 - **India is planning a \$1.6 billion rescue package for the aviation sector**, which has been undermined after the coronavirus outbreak forced countries to close their borders and made air travel nearly impossible, two government sources told Reuters.

The finance ministry is considering a proposal to temporarily suspend most taxes levied on the sector, including a deferral of the tax on aviation fuel, the sources, who have first-hand knowledge of the issue, told Reuters. (...)

**The Indian unit of CAPA, a global aviation consulting firm, said that regardless of the tax concessions and support that the government might offer, most airlines will have to scale back their operations and the most vulnerable carriers could close down.** (...)

### > **Ethiopian Airlines lost \$190 million in two months**

(source Le Journal de l'Aviation) March 23 - Decidedly no carrier is escaping the devastating effects of the coronavirus pandemic (Covid-19) which is dangerously weakening the world economy and air transport day after day, not even **Ethiopian Airlines, Africa's largest airline**.

In an exclusive interview with the local newspaper The Reporter, the CEO of Ethiopian Airlines, Tewolde Gebremariam, said the carrier **lost \$190 million in revenue during February and March due to** disruptions of flights to several destinations and reduced demand due to border restrictions imposed by states to contain the spread of the coronavirus.

Prior to the pandemic, Ethiopian Airlines served approximately 100 destinations in Africa, Europe, the Americas and Asia. It is one of the largest airlines in the world in terms of the number of countries served. However, after suspending flights to 20 nations, the carrier has just announced the complete cessation of services to 30 others. This is in application of a decision by the Ethiopian Prime Minister, Abiy Ahmed. Until now, Tewolde Gebremariam recalls, the company had already grounded twenty long-haul aircraft and reduced its operations by 25 to

30%. **Now almost half of its fleet of 108 aircraft is expected to be grounded** and the shortfall will increase over the next two to three months. In line with the cost-cutting programme put in place, it is considering temporary reductions in the number of contract workers and the reduction of outsourced services if the situation persists, rather than layoffs. Ethiopian Airlines has almost 14,000 permanent and 3,000 contract employees.

**However, as it has done since the beginning of the crisis, the company will continue to operate flights to China.** It will further mobilize its cargo capacity as part of its participation in the global effort to transport kits and medical supplies to the four corners of the world. To this end, the airline will benefit from a multifaceted support programme in China, the epicentre of the pandemic. **"China supports not only its own airlines, but also foreign companies, notably Ethiopian Airlines,** which serves the country [...]. Both in kind and in cash," Tewolde Gebremariam told The Reporter. (...)

***My comment:** There is an explanation for the success of Ethiopian Airlines. Africa's leading airline carries cargo from China to Europe and the United States.*

*According to an article in Echoes on January 17, 2019:*

"Beyond low wages, it is above all the absence of customs barriers that delights investors. Clothes made in Ethiopia can flood the American market without being subject to the slightest dollar of customs tax. This "Agoa" agreement was concluded by Bill Clinton exactly twenty years ago to help some forty African countries. And, miraculously, Donald Trump has not called it into question, at least for the time being. Sold in the United States, a garment "made in Ethiopia" is therefore 27% cheaper than if it were imported from Vietnam or Bangladesh. A similar agreement has been negotiated with Europe. So China and India have made Ethiopia their Trojan horse: instead of exporting from home, they are using Africa to flood the West with their goods, free of taxes. (...)

But none of this is actually produced in Ethiopia: hangers and labels are imported from India, fabrics from China and Hong Kong. In the absence of industrial experience, the African country just puts it all together. It is the newest and weakest link in this globalization. Financially, it is a real godsend: these little textile hands are among the least paid in the world. They earn \$50 a month, five times less than Chinese women and half as much as Vietnamese women."



## > **Coronavirus raises concern for African civil aviation**

(source Le Journal de l'Aviation) March 16 - No region of the world is immune to covid-19, whose spread has now been declared a pandemic. For nearly three months now, global air transport has been shrinking.

**While Africa seemed to be spared so far, its air transport sector is beginning to feel the effects.** As of March 16, the continent had recorded 360 cases of infection (including seven deaths) in 25 countries. (...)

In recent days, the worrying spread of the coronavirus has forced many African countries to take more drastic measures.

For example, **Morocco**, which has recorded 28 cases of infection and one death, has **just suspended all international flights with the exception of cargo flights**. A similar decision has been taken by Djibouti, a nation in the Horn of Africa that has so far recorded no cases of infection. Other North African countries, such as Tunisia, have closed their airports to passengers arriving from or having transited over the past 14 days from countries classified as "high-risk".

**Ghana, for its part, now bans all passengers (except Ghanaians) from (or in transit through) "a country that has registered more than 200 cases of coronavirus infection"**. Yesterday, **South Africa followed suit by** announcing the suspension of visas for "foreign nationals from high-risk countries such as Italy, Iran, South Korea, Spain, Germany, the United States, the United Kingdom and China. » **Overall, all African countries are implementing restrictive measures to contain the worrying spread of the virus.** (...)

In this unprecedented situation, African airlines and even airports are trying as best they can to contain the financial drain. As a result of emergency measures, we have seen in recent weeks a freeze on recruitment, forced leaves (without bonus), reduction of capacity on domestic markets and a halt to purchases, outside of operating needs. On the

sidelines of the recent Avia Africa summit **on 4 March** in Addis Ababa, the International Air Transport Association (**IATA**) **indicated that African airlines are collectively expected to lose around \$400 million in turnover due to what has so far been an epidemic. But given the extent of the spread in recent weeks, the institution is now expecting greater losses.** (...)

## > **Unexpected departure of political star pushes Boeing into crisis**

(source AFP) March 20 - Boeing announced on Thursday the surprise resignation of Nikki Haley, former ambassador of Donald Trump to the

United Nations, from its board of directors. Haley was opposed to the company's request for a public bailout to deal with the coronavirus pandemic that is devastating civil aviation. (...)

It comes at a pivotal moment for the aircraft manufacturer, which is facing two crises.

On the one hand, **Boeing is still** stuck in the **difficulties of the 737 MAX**, which has been grounded for more than a year after two close accidents that killed 346 people. **The bill has already surpassed \$18 billion and is** expected to climb even higher, due to complaints from the families of victims and the uncertainties surrounding the MAX's return to service.

**The coronavirus pandemic has opened a second front.** Airlines, which had to interrupt transatlantic flights, suspended all aircraft deliveries and postponed orders for new aircraft.

Boeing, which has still not suspended production in its factories, is no longer recording any real revenue.

**The group has turned to the federal government and asked for a rescue plan of at least \$60 billion.** (...)

**The possible rescue of Boeing with taxpayers' money is a controversial issue in the United States, where many experts believe that the group's choices have plunged it into the current situation.**

A bailout should therefore be carried out on the terms of the federal government, with some even suggesting an entry into the capital of the latter. (...)

***My comment:** The pandemic comes at the worst possible time for the US manufacturer.*

*Anyway, it would be surprising if the government of D. Trump abandons Boeing. In the worst case scenario, Boeing could be put into chapter 11 bankruptcy protection.*

*In the United States, this procedure allows a company to restructure without having to pay its debts. During the decade of the 2000s, most US airlines took advantage of this provision to re-launch themselves and compete with European airlines.*

### > **Airbus in battle order to face a long crisis**

(source Les Echos) March 23 - **Continuing to produce, even in slow motion, while preserving cash flow in the face of revenue attrition: this is the course of action adopted by Airbus to get through the**

coronavirus crisis. The European aircraft manufacturer, which had suspended operations at its industrial sites in France and Spain for four days last week, resumed production as planned on Monday morning, after implementing health safety measures. And this despite the opposition of several trade unions, who are calling for a prolonged shutdown of the lines and the confinement of Airbus employees. No site has been closed, but production will only return to normal very gradually," Airbus executive chairman Guillaume Faury said at a press conference call. We have to learn to work in these conditions while ensuring the safety of our employees and we have no other objective at this stage".

"We have to face not one but two crises, one health crisis and the other economic," continued the Airbus boss. Regarding the health aspect, he announced the purchase of two million masks in China, part of which will be distributed to Airbus' "companions" and the rest will be given to governments. "We are also benefiting from the experience gained in China, where no Airbus employee has been infected and where production has gradually returned to normal," he added.

**On the economic side, the group announced financial measures to enable the company to continue to operate without the risk of a cash shortfall as cash flows dwindle.** Many airlines, whose activity has almost fallen to zero, have stopped making advance payments for their orders and have entered into discussions with Airbus and Boeing in order to postpone or even cancel some of these orders.

**The European manufacturer has therefore secured EUR 15 billion in credit lines, in addition to an existing credit line of EUR 3 billion.** It has also waived the payment of 1.4 billion in dividends for the 2019 financial year and suspended the pension fund contribution of around one billion. "We are reducing spending and investment wherever possible," added Faury.

However, **the Airbus boss does not consider it necessary, "at this stage", to seek direct state aid, unlike his rival Boeing,** which is asking for \$60 billion in aid for itself and its subcontractors. "We are not asking for direct aid at this stage, but we are asking for strong support for our ecosystem, first and foremost from the airlines, but also from the chain of subcontractors," he said.

In total, between the savings measures and the additional credits, Airbus would have generated some €30 billion in cash. That is the equivalent of 9 months of operating expenses for Airbus Commercial Aircraft, according to the investment bank Citi, which even considers it possible for the group to extend its resilience up to 27 months.

**However,** while the short-term future of Airbus is assured, **the medium- and long-term consequences of this unprecedented crisis remain a question mark,** including for Guillaume Faury. "In previous crises,

recovery had been rapid, but this crisis is unlike any other," he acknowledged. In particular, the consequences on the order book remain unknown. Discussions with airlines to postpone or cancel orders are underway, "but it is too early to give more details", said Faury.

**Everything will depend on** the level of government support to airlines to overcome the crisis. But also on how **quickly passengers will get back on planes once the pandemic is over. In China, where most of the epidemic has passed, air traffic has barely returned to 30 per cent of its previous level.**

***My comment:** Like most airline executives, the CEO of Airbus fears that the recovery of air traffic will be very slow after the end of the Covid-19 outbreak.*

*The airlines may need the support of their supervisory states until the summer of 2021, the season in which they make most of their profits .*

**> Jean-Marc Jancovici : " The time of the finished world begins "**

(source Le Point) 18 March - (...) One of France's historic strengths is to be at the forefront in the organization of large complex systems.

We are historically the world champions when it comes to making a quality hospital system (only the French can complain about it!), well-functioning rail or urban service systems, an optimal electrical system...

Before people said worse than hanging, our electricity system had only advantages, it was the best in the world (this is even what emerged from an International Energy Agency report that compared a large number of countries).

We are capable of planning, and above all we have a sense of community. The Americans are incapable of that, as evidenced by the fact that their public infrastructure is in a terrible state.

It is no coincidence that the French have a strong international presence in infrastructure management, which requires skills that our country can provide.

Our first "intellectual" competitors are the Chinese and Russians. It is not surprising that these two countries are accelerating in nuclear power, which is the industry par excellence that requires large-scale,

long-term planning by the state.

We have - or had - at least one champion in every area essential to decarbonizing the economy, whether it be construction, railways, nuclear power, water, urban transport, urban planning or agriculture...(...)

**My reading advice:** *The text above is taken from a long article available on the internet.*

*It opens up avenues for reflection on the strategy to be adopted to combat global warming.*

## **Stock exchange press review ...**

### **> Air France-KLM: Causeway Capital Management raises capital**

(source Boursier com) 3 March - **In a letter received by the AMF on 3 March 2020, Causeway Capital Management LLC** (Los Angeles, California), acting on behalf of clients and funds under its management, **declared to the AMF that on 30 January 2020 it had exceeded the 5% threshold of the share capital of Air France-KLM** and that on that date it held 21 **shares on** behalf of the said clients and funds.506,317 Air France-KLM shares representing the same number of voting rights, i.e. 5.02% of the capital and 3.67% of the voting rights of this company. This threshold crossing results from an acquisition of Air France-KLM shares on the market.

The declarant stated that on 2 March 2020, it held, on behalf of the said customers and funds, 27,483,661 Air France-KLM shares representing the same number of voting rights, i.e. 6.41% of the capital and 4.69% of the voting rights of this company.

**My comment:** *On March 3rd, Causeway Capital Management became the fifth largest shareholder in the Air France-KLM group. This was a surprise for investors as the company had not taken the trouble to report its situation in time (see article below on threshold crossings).*

*On her site, she says :*

Causeway is an independent investment management firm specializing in global equity investment strategies. Causeway is a leading global investment management firm specializing in global equity investment

strategies ... Based in Los Angeles, we manage assets for institutions in the United States and Canada as well as Australia, Europe, Asia and the Middle East.

We are convinced that we can outperform our clients' benchmarks over full market cycles by combining fundamental and quantitative research to identify investment opportunities in equity markets around the world. We seek to achieve superior returns over full market cycles while generally taking a level of risk commensurate with the potential return.

We strive to recognise market developments and the way clients view equities, and respond with strategies based on what we do best: buying poorly valued stocks, seeking upside potential and, where possible, dividend income, in both developed and emerging markets.

### > **Air France-KLM: Causeway Capital Management holds more voting rights**

(source: CercleFinance) 10 March - **Causeway** Capital Management LLC, acting on behalf of clients and funds under its management, **declared that on 9 March 2020 it had exceeded the threshold of 5% of the voting rights of Air France KLM** and held, on behalf of the said clients and funds, 29,706,816 Air France KLM shares representing the same number of voting rights, i.e. 6.93% of the capital and 5.07% of the voting rights of this company.

This threshold crossing results from an acquisition of Air France KLM shares on the market.

**My comment:** *One may wonder about the link between the arrival of Causeway Capital Management and the statements made by Minister Bruno Le Maire.*

*According to Libération dated March 12:*

*"With such a low price, Air France may become an interesting prey for some funds that would like to engage in a speculative operation of buying and selling securities. In this case, Bruno Le Maire does not rule out using the State's financial arm, the Special Investment Fund (FSI), as a sort of cavalry to counter aggressive operations. "*

*It remains to be seen whether Causeway Capital Management will continue to increase its stake in Air France-KLM and, above all, what its intentions will be.*

## > In France, any threshold crossing must be declared within four days.

(source: Les Echos) March 29, 2016 - (...) **Any investor who comes to cross one of the thresholds for acquiring or selling a stake in a listed company must notify the stock exchange police within four trading days** (threshold crossings to be reported ...). 5 %, 10 %, 15 %, 20 %, 25 %, 30 %, 33,3 %, 50 %, 60 %, 90 %, 95 %). The objective (...) was to provide shareholders with faster and better information on changes in capital and voting rights - enabling them to make more informed investment decisions. It also allowed the managers of listed companies to better understand changes in their shareholding structure and to anticipate hostile takeover attempts. A means of combating creeping takeovers.

**Anyone who fails to report a threshold crossing within the four-day period runs the risk of civil and administrative sanctions. The judicial sanction allows the commercial court, at the request of the company's chairman, to order the suspension of all or part of the shareholder's voting rights.** (...)

As for the Enforcement Committee, the AMF judge, it has no hesitation in having a heavy hand when threshold crossings are not declared or are declared too late, especially since the breach is easy to observe.

***My comment:** It seems that these rules have not been respected by Causeway Capital Management. As a result, it is not certain that it will be able to vote at the next general meeting of Air France-KLM shareholders.*

## *End of the press review*

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

**The Air France-KLM share is at 4.426 euros at the close of trading on Monday 23 March. It rose by 2.48%.** At the start of the coronavirus epidemic, it was at 9.93 euros. It has lost 55% of its value.

**The average (the consensus) of analysts for the AF-KLM share is 10.71 euros.**

**A barrel of Brent Oil (North Sea) is at \$27 a barrel, down \$3 this week.** At the start of the coronavirus outbreak, it was \$69. That's the

biggest drop since 1991.

**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.

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

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**| François Robardet**

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

**You can find me on my twitter account @FrRobardet**

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

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