

KLM sadly bids farewell to the Boeing 747...



I Letter from the Air France-KLM Director

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Editorial

Last week, you told me how pleased you were to receive a longer than usual letter during this period of confinement. It is therefore with pleasure that I am renewing this formula.

You will find in this letter a long article about possible nationalisations, in response to your many questions.

For those who would like to delve back into the history of the Air France-KLM Group since 2008, I have made the full text of the letters available on my blog [navigaction.com](#).

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

Happy reading François

Monday's Press Review

> **KLM** sadly bids farewell to the Boeing 747...

(source anp-belga) March 29th -



The farewell was discreet and not very well publicized in these times of health crisis related to the new coronavirus. **"Sad," reacted KLM boss Pieter Elbers.** The CEO pointed out that KLM initially wanted to continue using the Jumbo Jets until 2021, but due to the health crisis of the new coronavirus, it was decided to withdraw the planes from service earlier.

The first Boeing 747s entered service in 1971 at KLM. Because of its size, more passengers and freight could be transported than with other aircraft. But it also meant a higher cost to operate.

The farewell to the Boeing 747 should have been celebrated with great pomp and circumstance. That it was not possible "hurt," Elbers said. But what hurts even more, he added, is that KLM can only operate 10 percent of its normal flights because of the Covid-19 outbreak. According to the managing director, the supply had not been so limited in 70 years.

The airline, which is part of the Air France-KLM group, continues to fly to New York. The city is connected seven times a week on the summer service. Elbers says many Americans want to go home and many Dutch people want to leave the American metropolis. Measures are taken on board to protect staff and passengers as much as possible.

Air France, for its part, withdrew its last Boeing 747 in January 2016.

***My comment:** Nearly 50 years after the Boeing 747's arrival in KLM's fleet, the last*

flight of this mythical aircraft took place on Sunday, March 29, 2020.

The Covid-19 will have accelerated the retirement of this four-engine aircraft. Perhaps it will also hasten the retirement of the group's other four-engine aircraft, the Air France Airbus A380 and A340.

> An Air France plane with 5.5 million masks lands at Paris-Charles de Gaulle

(source: Le Parisien) March 29 - This is one of the first flights in a long series that all of France has been waiting for impatiently. Especially the medical staff in the midst of a coronavirus pandemic. **A plane from China carrying 5.5 million medical masks arrived this Sunday evening at Roissy airport. This Air France cargo plane was carrying a total of 100 tons of medical equipment**, according to the French airline. This landing marks the beginning of the airlift set up between China and France to provide masks that are desperately needed in a large part of the country. On Saturday evening, the Ministry of Health said that more than a billion masks had been ordered both in France and abroad "for the coming weeks and months". Why call on foreign countries, and mainly China? Because France, which needs 40 million masks per week, produces only 8 million. Our reserves are not infinite," admitted Olivier Véran. And no country in the world is currently meeting its demand for masks.

Further flights are expected in the coming days to deliver this essential protective equipment. Paris-Vatry airport (Marne), which has a cargo area dedicated to freight, is expecting a first flight on Monday and then others spread out over at least two weeks. At least one daily rotation is scheduled with wide-bodied aircraft. They will carry an average of 100 tonnes of cargo each, with masks and medical equipment in varying quantities, but with at least ten million masks each.

My comment: *The airlines have suspended most of their flights, but they remain mobilized to ensure the transport of goods, mainly between China and Europe.*

The Covid-19

crisis will have highlighted that many basic necessities are made in China. Some observers suggest that their production should be relocated to Europe. But will everyone be able to cope with the induced price increase?

> KLM wants to make its aircraft suitable for freight transport

(source Het Financieele Dagblad translated with DeepL) 27 March - **KLM**, which has been hard hit by the coronavirus crisis, is **looking into the possibility of converting unused passenger aircraft for freight transport.**

(...) The airline is looking for new sources of revenue. Making more cargo flights

could be a solution.

(...) Today, most aircraft are parked at Schiphol. By temporarily modifying the aircraft's cabin, additional cargo can be carried and the company benefits from the high transport rates in the sector.

KLM is considering two options for their commercial potential: transporting cargo in the hold of an empty passenger aircraft and/or modifying the cabin to make it suitable for cargo transport.

There is worldwide demand for transport capacity for medical devices and other necessary goods. KLM Cargo has set up a special office for this purpose.
(...)

Soon KLM will also start cargo flights to China. Three return flights per week are planned to the Chinese capital. (...)

Like KLM, Lufthansa is also looking into the possibility of increasing its own cargo capacity. (...)

Other airlines will also increase the number of cargo flights. Emirates, United Airlines, Austrian Airlines and Aeromexico also use passenger aircraft for pre-freight flights to Europe.

> Air France responds to the Dubreuil Group (which deplores the State's planned aid to Air France)

(source La Tribune) 26 March - The comments of **Jean-Paul Dubreuil, Chairman of Groupe Dubreuil, parent company of Air Caraïbes and French Bee**, and Marc Rochet, Vice-Chairman of the Board of Directors of Air Caraïbes and Chairman of French Bee, are making waves at Air France, which wanted to react.

In La Tribune this Thursday morning, Jean-Paul Dubreuil **spoke without mince words about the government's willingness to support Air France**. Recently, the Minister of the Economy and Finance Bruno Le Maire even raised the possibility of nationalizing the group on several occasions before acknowledging on 24 March that there were other solutions. (...)

"It doesn't make much sense from a competitive point of view. Why would one company rather than another benefit from the manna from the State which allows them to have a much more lax position than ours because they maintain the idea that the State will always come to their rescue? We are quite disappointed by all this," said Jean-Paul Dubreuil, after having reiterated earlier that "he was not expecting state manna from the saviour". (...)

In a written reaction sent to La Tribune, **Air France replied:**

"We are surprised by these remarks. A crisis such as the one our industry is

going through requires all players to show solidarity with each other. **Air France is demonstrating its solidarity by ensuring the return to mainland France of many passengers stranded far from home, including those who have no solution after the suspension of Air Caraïbes operations.** Air France has also been mobilized for several days to ensure the repatriation of our compatriots, from the four corners of the world, by operating special flights departing empty, with capped fares. **Air France will continue to operate flights to and from Overseas France in order to guarantee the territorial continuity essential to the country.** Despite the already heavy impact of this crisis, Air France is committed to this mission in the service of our fellow citizens, beyond an economic logic and because it is also its raison d'être".

The debate is just beginning. Air Caraïbes and French Bee are suspending their activities but say they still have a capacity for rescue flights.

***My comment:** The debate launched by Air Caraïbes and French Bee seems to me above all a way to increase the pressure on the government.*

It could make a sprit when the government announces its measures to support air transport.

> **Lufthansa** to put 31,000 employees on short-time work

(source AFP) 27 March - **German airline Lufthansa has asked for 31,000 of its employees to be placed on short-time work** to cope with the drastic drop in air traffic as a result of the coronavirus pandemic, the group announced on Friday. "Lufthansa has asked for 31,000 employees to be placed on short-time work," a spokesman for the group told AFP.

The measure should last "until 31 August" for cabin and ground staff and "a solution is under way for cockpit staff," he said. The

31,000 employees represent nearly a quarter of the staff of the group, which owns the European airlines Austrian and Brussel Airlines, Eurowings and Swiss. (...)

Transport capacity, i.e. the number of seats offered on the German group's aircraft, has been reduced to just 5% under an emergency flight plan in place until 19 April.

The airline now keeps 700 of its 763 aircraft on the ground and operates more flights than at any time since the 1950s, according to Lufthansa CEO Carsten Spohr. (...)

***My comment:** Our competitor is experiencing the same difficulties as the Air France-KLM group. It is implementing the same measures.*

More than avoiding bankruptcy, these measures aim to emerge from the health crisis with sufficient financial reserves to effectively recover.

According to experts, the recovery will last for many months, even more than a year. Sales, marketing and revenue management teams will then be on the front line to win back customers.

> **German billionaire becomes Lufthansa's largest shareholder**

(source ch-aviation) 26 March - **German billionaire Heinz Hermann Thiele**, one of the world's richest industrialists, **has increased his stake in the Lufthansa Group from 5.29% to 10.01%**, becoming the group's largest shareholder, according to a stock market report.

The transaction, which closed on March 16, enabled Thiele to increase its stake by 22.6 million shares, valued at 195.5 million euros.

Lufthansa's shares, like those of most of its industry peers, have fallen since the outbreak of the COVID-19 pandemic. **As of March 25, 2020, they were listed at EUR 9.51, down more than a third from their peak of EUR 15.40 on February 19, 2020.**

Mr Thiele is the chairman and majority shareholder of Knorr-Bremse, one of the world's largest manufacturers of braking systems for cars and trains. He is also the chairman and majority shareholder of railway equipment manufacturer Vossloh.

My comment: *Lufthansa's shareholding structure has changed significantly in the last two months.*

At the end of January, the ten largest shareholders each held between 2% and 5% of the capital, for a total of 30.5%.

Since then, they have all reduced their shareholding (only three of them still own more than 2%), and now hold only 16% of the capital. Within a few weeks, the German billionaire Heinz Hermann Thiele became the main shareholder with 10% of the German company's shares.

The consequences of this change in ownership structure will be seen in the coming months.

> **Iberia, British Airways and the IAG Group soon to be at the end of the line**

(source La Quotidienne) March 24 - The coronavirus crisis continues to wreak havoc. **The UK government is reportedly considering the possibility of partially nationalising British Airways**, which would mean the dismantling of the entire IAG group and "therefore a possible separation of Iberia and Vueling", as the Sunday Times reports, saying that the investment bank Rothschild is already working on this possibility. The

UK government's intention would be to inject capital into British Airways in exchange

for strict demands such as limiting dividend payments or reducing management fees. **Another hypothesis that is being considered is that "London and Madrid will go to the rescue of IAG together"**. said the Spanish newspaper Expansión in yesterday's edition on Monday.

The British government has announced its intention to offer 359.96 billion euros in aid in the form of guaranteed loans, an injection that some analysts consider insufficient.

The closure of airspace due to the coronavirus is causing a hole of 217 million euros a week for the IAG group. Seventy-five percent of the group's planes are on the ground and **Iberia in Spain has already announced an ERTE (Expediente de Regulación Temporal de Empleo) for its 16,000 workers to guarantee its future.**

***My comment:** In Britain, as in most countries with a strong airline, the government is preparing measures to support air transport.*

There are several common points in obtaining the aid: job preservation in the aided companies, a suspension of dividends and a freeze on executives' income.

> Alitalia could be relaunched with just a quarter of its fleet

(source Le Journal de l'Aviation) March 25 - The crisis linked to the coronavirus pandemic was at least a golden opportunity for the Italian government to **save Alitalia**. But it cannot perform miracles and the company will not emerge unscathed from years of financial difficulties and this unprecedented crisis. According to information from Corriere della Sera and Reuters, **it will have to make sacrifices and may only be revived with a quarter of its current fleet of between 25 and 30 aircraft.**

Even in the form of a new company, Alitalia could not in any case be reborn without a recovery plan. Periodically verging on bankruptcy for the past fifteen years, its various privatisations have all ended up failing and the last process launched was already at a standstill before the epidemic broke out. Yet it has been under extraordinary administration for almost three years and is losing EUR 300 million a year.

No further details have been revealed about the form the new Alitalia might take. But a reduction of three quarters of the fleet will necessarily have repercussions on the social level. **Corriere della Sera mentions the loss of 7,500 jobs out of 11,500.** A government meeting with the unions is scheduled for next week.

To support its aeronautics sector, the Italian government has announced the release of 500 million euros, the majority of which will be used for Alitalia.

***My comment:** If this information proves to be correct, Alitalia will be reduced to a congruent portion. It will be left with only about 30 aircraft and 4,000 employees.*

Far behind the 120 aircraft available to the Italian airline in 2017. Far behind the 157 aircraft and 21,000 employees that the Italian airline had in 2002.

> EasyJet locks down its entire fleet for an indefinite period of time

(source Le Parisien) 30 March - After announcing ten days ago that it would keep the majority of its planes on the ground because of the paralysis of world traffic, **the low-cost airline company has just grounded its entire fleet for an indefinite period.** "Over the last few days EasyJet has been involved in the repatriation of customers with 650 flights to date to bring home more than 45,000 customers," the company explains, adding that the last flight took place on Sunday and that some additional rescue flights may be carried out. (...)

"At this stage there is no certainty about when commercial flights can resume," EasyJet acknowledges.

The carrier assures that it has an agreement with the unions for its cabin crew to take time off work. "The agreement will be effective from 1 April for two months and crews will be paid 80% of their average salary thanks to the system put in place by the government to maintain jobs. "» (...)

> easyJet could cancel an order for 103 Airbus

(source CercleFinance) 30 March - Stelios Haji-loannou, **the founder of easyJet, is said to have threatened to fire the group's management if it refused to cancel the 4.5 billion euro order for the 107 Airbus aircraft,** Sky News reported.

Stelios Haji-loannou holds one third of the capital of easyJet. He believes that this order could threaten the existence of the company in the current conditions report this morning Aurel BGC. (...)

My comment: *The capital of easyJet is mainly owned by the founder's family (Stelios Haji-loannou), with 33.73%. The other two major shareholders are Invesco Limited (9.99%) and BlackRock, Inc. (5,15%).*

The founder's threats to the management of easyJet are not new. For a long time he has favoured dividends over investments.

> **The Ryanair group expects to operate no flights in April or May.**

(source La Libre Eco with Belga) March 24 - **The Irish group Ryanair expects to be unable to operate flights in April and May** because of the current coronavirus pandemic, it said Tuesday in an open letter to its customers.

It is based on experience in China, which suggests that a period of three months is necessary to contain and reduce the spread of the virus. (...)

The Ryanair group, which includes the low-cost airline of the same name as well as

Buzz, Lauda and Malta Air, employs 18,000 people. (...) It **has nevertheless offered its services to all European governments to provide repatriation flights and flights essential for the circulation of vital medicines, personal protective equipment** and, if necessary, emergency food. (...)

***My comment:** Ryanair executives are the first to suggest that they will not operate flights in May!*

> **U.S. airlines get \$58 billion in support**

(source: Les Échos) March 26 - U.S. airlines can push a big "pew" of relief. (...) **U.S. senators voted Wednesday evening a package of various aids in their favor, for a total amount of 58 billion.** (...) U.S. airlines

have been hit hard by the coronavirus crisis, forcing them to cancel thousands of flights. And even if the fall in traffic does not reach the 90% drop observed in Europe, **they have had to suspend almost all their transatlantic flights and reduce their domestic offer by 50 to 70%.** This, in a country where air travel has replaced rail and bus travel, could not fail to elicit a supportive reaction from the authorities.

(...) **The airlines will receive \$25 billion in direct aid** to pay salaries and pensions. (...)

In addition, the **companies will also be able to benefit from loans or loan guarantees totalling \$25 billion**, and \$4 billion for cargo. **Provided, however, that there is no other credit solution. This could exclude the most profitable companies, such as Delta.**

Moreover, the senators have set a few conditions for the granting of this aid. **Beneficiaries will have to undertake not to carry out redundancy plans** or wage cuts by 30 September. Conversely, the **payment of dividends and share buybacks will be prohibited** until September 2021. The same applies to **increases for the highest salaries.** Finally, the companies must commit to maintaining for the next two years the domestic destinations they served in March.

***My comment:** The support measures for US airlines are very similar to those being developed by Germany, France and Great Britain.*

They underscore the critical importance of air passenger and cargo transportation in our economy today.

> **Airbus gets into battle order to deal with coronavirus**

(source Le Journal de l'Aviation) March 23 - "It's a health and economic crisis".

Guillaume Faury, Executive Chairman of Airbus, announced a series of measures to try to mitigate the effects of the coronavirus on the health of employees and the company on Monday 23 March. **They should allow a gradual resumption of work** on its French and Spanish production sites, **as well as a preservation of**

the group's liquidity in the short term. (...)

The first measures naturally concern health. After a four-day stoppage, work will therefore resume at the French and Spanish sites. Guillaume Faury stated that this period has made it possible to clean the premises and to start bringing the workstations into compliance with hygiene and self-distancing requirements. Masks should also be made available to employees. (...)

In order to guarantee the safety of his employees, **the Airbus boss stated that only those workstations in full compliance would be reopened. The restart will therefore be gradual.** (...)

This solution was adopted in agreement with the social partners. (...)

The other objective of Airbus management is to maintain the means to bounce back after the crisis. (...) Three measures have therefore been taken with the approval of the Board of Directors.

Airbus has been granted a new credit line of 15 billion euros. (...) This is in addition to the other existing facilities of around EUR 3 billion. 12 billion in available financial assets. **The group thus has an increased financing capacity of 30 billion euros.**

(...) At the

same time, the group has cancelled its dividend proposal for 2019. (...) This should make it possible to preserve 1.4 billion euros of liquidity. Similarly, it suspended the financing of supplementary pensions. (...)

Guillaume Faury nevertheless announced that further cost reductions will be made in order not to burn the group's cash. In particular, capital expenditure is expected to be revised downwards.

The Airbus boss (...) has not asked for direct state support for his own group, he encourages governments to support the airline industry, which he is convinced will be key to the post-crisis global economic recovery.

Guillaume Faury (...) nonetheless believes that long-haul activity should be significantly impacted and is counting more on the strength of the single-aisle order book to ensure Airbus' resilience in this unprecedented crisis.

***My comment:** Guillaume Faury is betting on single-aisle aircraft to relaunch Airbus after the crisis.*

This is not surprising because already last year, sales of twin-aisle aircraft were showing signs of weakness. This crisis has not helped the situation.

> Embraer goes red in 2019

(source Le Journal de l'Aviation) March 26 - **This was the last year of Embraer as we knew it. And it won't be the most famous.** Despite a return to growth in sales, **the Brazilian manufacturer** saw its margins deteriorate in 2019 and **ended the year in the red. Embraer is now preparing for** an atypical year between the health crisis that is hitting the world - with the situation in Brazil made even more precarious by

the ubuesque management of President Jair Bolsonaro - and **the sale of its commercial aircraft activities to Boeing.**

In 2019 (...) the business aviation and defence & security activities were the most dynamic with growth of more than 25%. (...)

The black spot came from commercial aircraft, with a drop of more than 5% to \$2.2 billion. Although Embraer met its forecast range with 89 deliveries, it was still a third consecutive year of decline with E-Jets E2s struggling to take off commercially. (...)

Operating profit (EBIT) fell into the red with a loss of \$77 million, compared with a profit of \$35 million in 2018. This result was impacted by an impairment charge of \$72 million for business jets, but would have remained in the red in any case, with an adjusted operating loss of \$5 million. Adjusted operating income would have exceeded \$220 million in 2018, despite nearly \$190 million in exceptional charges on business jets already in operation and on the KC-390 program.

Net income also declined, with a net loss of \$322 million, compared with \$178 million in 2018. Nevertheless, Embraer focused on generating \$2.8 billion in cash (available cash and financial investments) and reducing its financial debt in the last quarter of 2019. This will not be too much in view of the crisis caused by the coronavirus. The balance sheet is still negative over the year, with net debt rising to \$612 million at the end of 2019, compared with \$440 million a year earlier.

Embraer's future will be largely determined by the integration of its commercial aircraft programs into the Boeing Brasil - Commercial joint venture, which will be 80% owned by Boeing and only 20% by the Brazilian aircraft manufacturer. This partnership is still subject to the European Commission's competition decision. The deadline, once again postponed, has now been set for 23 June.

***My comment:** Embraer's situation is reminiscent of Bombardier's situation in the months prior to the sale of its aircraft manufacturing business to Airbus.*

The challenge for Boeing will be to do as well with Embraer as its Airbus rival with the Canadian manufacturer.

> **With the coronavirus, Roissy goes into airplane mode**

(source AFP) 26 March - **"There's not a sound" at Roissy-Charles-de-Gaulle and Malik, a baggage handler, has "never seen that in 20 years"**. At Europe's second biggest airport, which has been emptied of its passengers due to the coronavirus, only a few remaining holidaymakers are wandering around, struggling to find a flight home.

Calm reigns in the aisles of the Paris airport. Shops, restaurants, numerous cafés: everything on the platform is closed, except for two pharmacies and a well-stocked newspaper kiosk.

Since flights from China stopped in February and the borders were closed, the

airport's traffic has been plummeting.

"We fell to 16,000 passengers on Wednesday, it's unheard of," an airport source said, pointing out that **usually, "one day at Roissy is 150,000 to 200,000 passengers"**.

At the other Paris airport, Orly, traffic has collapsed by more than 90%, forcing the ADP Group, which manages the site, to close it temporarily as of 31 March. Roissy will remain open, at the very least. "I work every other week, I have almost no luggage to manage, and I hope it won't last," sighs 50-year-old Malik, the baggage handler.

"We don't accept tourists any more," explains the border police, and only people with "a medical imperative or a professional activity which would justify it" can still enter the country. (...)

***My comment:** In 1977, Brel sang "C'est triste Orly le dimanche Avec ou sans Bécaud".*

What wouldn't he sing today?

> **French people stranded abroad are forced to pay crazy amounts for a return plane ticket**

(source Business Insider) March 23 - A member of parliament said it: **the repatriation of French people currently abroad is "a terrible nightmare,"** Judge Anne Genetet, LREM deputy for French people abroad, told Europe 1. (...) They are mainly expatriates and exchange students, but also tourists who don't want to get stuck on the other side of the world.

This is the case for Mathieu and Amélie, who have to cut short after a month the "journey of a lifetime" that was to take them to New Zealand, Fiji and New Caledonia. (...)

The Embassy left them no choice. "They told us that they had to leave before April 17, at the risk of being blocked on the spot until May 31 because there will be no more scheduled flights," they told Business Insider France by phone. On the other hand, the repatriation will be at their expense: 3600 euros for two travelling with Qatar Airways to Paris via Doha. "We are actively working to ensure that the companies offer commercial solutions to French nationals. These will always be paid for," the Embassy wrote to the thousands of French people who have requested a return. (...)

"Everyone understood that France was guaranteeing the return. But it was not. I am angry (...)", replied Michael, who returned from Vietnam on March 22. He assures that there are still several hundred French people on the spot. **"Some of them did not take the Air France charter flights, but paid for them, because they were convinced that France would repatriate them for free"**.

Michael had to pay 700 euros to return with Emirates, while his original flight, on the

same day, was cancelled by Vietnam Airlines. (...)

On Thursday 26 March, the Secretary of State for Transport, Jean-Baptiste Djebbari, confirmed that flights would be chartered by the government, in coordination with other countries such as Germany, to bring back French nationals within a few days. According to the minister, 10,000 to 15,000 are returning every day. This is in contrast to what the French are experiencing 18,000 kilometres from Paris. **While Mathieu and Amélie find it "normal that people pay to return", they do not understand these prices.** "It's crazy that it's so expensive to go back. The state could have negotiated a reasonable fare. I've looked, a dry flight (with no return), with one or two stopovers, it's around 800 euros per person. That's more reasonable. It's not France's fault, but you have to be able to afford it." (...)

***My comment:** There is a controversy circulating on social networks concerning the price of tickets to France.*

Contrary to what I have read here and there, the highest fares are not offered by Air France, but by companies operating services not operated by Air France.

> **France could lose 65 million passengers in 2020**

(source Le Journal de l'Aviation) March 27 - In a new analysis specifically focused on the European market, IATA has once again stressed the importance of air transport for the continent's economy, in order to encourage governments to support its players. This time, the association gave more detailed market-by-market estimates of the current crisis.

The overall figures for Europe had already been revealed and **showed that it would be the region in the world most affected by the crisis.** While capacity is at its lowest with less than 20% of flights operated compared to a normal flight schedule (5,800 on 25 March compared to nearly 30,000 the previous year), the old continent risks losing 46% of traffic in 2020 compared to 2019 and \$76 billion in turnover. The industry provides 12.2 million jobs and generates \$823 billion in GDP.

As far as France is concerned, the companies could forget about 65 million passengers - the equivalent of its population and **whereas the Union of French Airports had counted 214 million in 2019** - and 12 billion dollars in turnover for the year. Rafael Schwartzman, IATA's regional vice-president for Europe, said that this puts at risk 318,000 jobs and 28.5 million dollars in contribution to the economy. (...)

The other major European countries could be hit even harder, with the UK leading the way. Although it was given a reprieve when the United States closed its borders to European flights, its air transport could lose 113.5 million passengers and \$21.7 billion in revenue by 2020. Yet Prime Minister Boris Johnson does not intend to come to his aid right away, preferring to look for solutions elsewhere first.

The other countries most affected are Spain, Germany and Italy - in that order.

The Italian government has already taken a step to support its air transport by announcing the release of €600 million in aid, which will mainly be used to rescue

Alitalia again. Other countries have also committed themselves, such as Sweden and Denmark in favour of SAS, Norway and Spain.

But **IATA is asking for more aid to prevent companies from sinking into a crisis from which they will not be able to escape**, and not only from governments and the European Union, but also from investors. Rafael Schwartzman points out that they are big employers in Europe, that they pay a lot of taxes that benefit governments and that they are engines of growth. (...)

The most urgent need at the moment is to relax the regulation on passenger compensation (EU261) by allowing airlines to issue credit notes on cancelled flights, not immediate refunds, to protect liquidity. **IATA also reiterates its call to facilitate cargo operations by speeding up procedures for obtaining overflight and landing rights**, removing certain economic constraints and systematically quarantining crews since they do not cross paths with other operators. In the meantime, the Parliament and the European Council agreed to extend the suspension of the slot use rule until 24 October.

***My comment:** Beyond the airlines, it is the entire tourism sector that suffers economically from containment.*

> **Four questions on possible company nationalisations**

(source: Les Echos) March 25 - The time when Bercy was the herald of privatisations, the latest being that of La Française des Jeux, seems to be over. Coronavirus obliges, that of ADP has been erased from the programme, and the executive has even suggested that other companies could be nationalized or at least be subject to state intervention.

"If to protect our industrial heritage, we have to go as far as nationalizing certain companies because they would be attacked on the markets, I will have no hesitation," Bruno Le Maire hammered on the BFM Business news channel on March 18. At a time of unprecedented health and economic crisis, the State is therefore changing its doctrine and making a brutal about-turn. A look back at the stakes and objectives of this nationalization process in CQFD, the educational format of "Les Échos".

1. What is meant by nationalization?

According to the law of February 11, 1982, nationalization refers to a "direct takeover of a company" by the State, in other words, when the State "holds more than 50% of its capital". The State then becomes the reference shareholder of the company (or even the sole shareholder).

To start the process, the government simply needs to pass a law. For a very long time, nationalisations have therefore had a bad reputation, synonymous, according to some, with expropriation. And this in spite of the financial compensation of the shareholders.

The first French nationalization dates back to 1848. In order to save a few railway companies (including those operating the Paris-Orleans and Paris-Lyon lines) that

had been damaged by the bursting of a stock market bubble, the State appropriated their capital and then sold its shares during the Second Empire.

Nationalisations were then counted on the fingers of one hand until the Second World War. The two great waves of nationalizations took place in 1945 and again in 1982 under the Mauroy government. The Mauroy government then nationalized some forty banks, five industrial groups and two financial companies.

Since then, majority state takeovers of the capital of private companies have become rare and the trend is towards privatization. From 1986 to the present, the number of state-owned enterprises has halved.

2. Why is the state considering nationalizing companies?

There are three main reasons. The first: to save profitable companies that are going through a bad patch. "There are companies facing liquidity problems at a given moment in time, which cannot necessarily borrow the amount they need, and are therefore threatened with bankruptcy," explains Jean-Paul Fitoussi, economist and director of the French Observatory of Economic Conditions (Observatoire français des conjonctures économiques). These companies do not, however, have any long-term solvency problems.

"It is better to nationalise these companies and then sell them off, with a profit," continues the economist, using the example of General Motors in the United States, nationalised in 2009 by the Obama administration and then sold off four years later.

The second reason is to protect its jewels. The value of certain strategic companies has collapsed, to the point where they have become vulnerable to the appetite of foreign investors. "Look at Renault, imagine how happy it would be for a few Japanese car companies to buy Renault for a pittance," the specialist says with a smile. Nationalization would therefore make it possible here to avoid companies being subjected to foreign raids.

Finally, more ideologically, nationalization could make the State Holdings Agency - responsible for managing the public portfolio - a "real instrument of industrial development," argues Jean-Paul Fitoussi. By taking a stake in the capital of several strategic firms, and by becoming a decision-maker, the State would then undertake strong industrial offensives, particularly in sectors such as clean energy or urban renewal.

3. Which companies could be concerned?

These would be companies whose sector is particularly affected by the crisis linked to the coronavirus pandemic." Air France, Renault, defense or transport companies as well," Jean-Paul Fitoussi imagines.

Sectors in difficulty but also strategic sectors in which foreign capital would be "undesirable". "It is necessary to nationalize now, before others put a bid on the table, which would force the French State to outbid," argues the economist.

For the time being, **Bruno Le Maire has ruled out the possibility of a nationalisation of Air France - KLM. Nationalisation will only be a "last resort".**

However, a first list of companies that the State intends to support has been drawn

up. Although the Bercy lessee has insisted on its confidentiality, it would appear that this list includes companies in which the State already has holdings. Although none, it is assured, are in a critical situation.

It should be noted that the French State's portfolio - "one of the largest public portfolios in the world", according to the APE - includes 88 companies worth around €110 billion, including €80 billion in listed assets. BPI and Caisse des Dépôts also hold government holdings, of which the APE has only a portion. BPI thus has around sixty shareholdings, in PSA, Orange, STMicro, etc.

Private companies in the CAC 40 could also be the subject of dialogue with the State, even if their first reflex is to approach the banks. In the event of nationalisation, the takeover will in any case be temporary, the State's objective being to bail out and support its flagship companies and not to maintain their capital over the long term.

4. What are the other means of State intervention?

There are nationalizations, of course, but they are not the only ones. The state can also take a stake in a company without becoming the majority shareholder.

This is, for example, what it decided in 2014 to prevent PSA from going bankrupt by investing EUR 800 million. 800 million. And this is what should be preferred today for certain companies, according to our information.

The State also has other tools at its disposal, such as direct loans to companies. In 2009, the French government lent two automotive giants, Renault and PSA, 3 billion euros each to secure their recovery from the 2008 financial crisis.

It can also provide debt guarantees to companies in difficulty, a mechanism that is increasingly used in times of crisis. In this way, the public authorities act as guarantors for loans made by a company over a given period. According to a report on the state's financial commitments, the amount of debt guaranteed by the state amounted to just over EUR 210 billion at the end of 2018.

It is within this framework that the government agreed earlier this week to guarantee up to EUR 300 billion of the loans that companies will seek from banks to strengthen their cash position. Bruno Le Maire also announced that 45 billion euros were going to be put on the table to support the smallest companies.

***My comment:** Many of you have asked me about the rumours of Air France-KLM nationalization.*

I hope this very comprehensive article has answered your questions.

Stock exchange press review ...

> Air France KLM: end of series

(source Boursier com) 27 March - In the wake of the market, **Air France KLM fell by 5% to less than 5 euros after three rebound sessions.** While waiting for probable State aid, the airline, like all its competitors, has received good news from Brussels.

MEPs on Thursday broadly approved a provision that suspends EU rules on air slots until 24 October to avoid almost empty "ghost flights" in the context of a crisis linked to the ongoing outbreak of a new coronavirus. These rules oblige carriers to use 80% of their take-off and landing slots in order to keep them for the following year.

Concerning more specifically AF-KLM, Berenberg has downgraded the value to be "retained" with a target price reduced from 12 to 7 euros. The broker notes that the destruction of demand for airlines seems to be twice as great as that of September 11th and has occurred more than twice as fast, while the recovery is uncertain .

***My comment:** Several analysts have downgraded their assessment of Air France-KLM. The most noteworthy is undoubtedly Citigroup, whose target share price has gone from 9 euros to 1 euro!*

You can find the analysts' evaluations on my blog, under "The analysts' consensus".

End of the press review

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

The Air France-KLM share is at 4.805 euros at the close of trading on Monday 30 March. It rose by 8.56%. It has recovered 11% in two weeks. At the start of the coronavirus epidemic, it was at 9.93 euros.

The average (the consensus) of analysts for the AF-KLM share rose from 10.71 euros **to 9.30 euros.** You can find the details of the analysts' consensus on my blog.

A barrel of Brent Oil (North Sea) is at \$23 a barrel, down \$4 this week. It's the lowest since 2002. When the coronavirus outbreak began, 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.

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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