Air France: the Ben Smith plan to get through the crisis

I Letter from the Director Air France-KLM

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

N°751, April 13, 2020

If you do not see this page correctly, or if you wish to read the English or Dutch versions

If you do not see this page correctly, or if you want to read the English or Dutch versions,

Als u deze pagina niet goed ziet, of als u de Engelse of Nederlandse versie wilt lezen,

follow this link , it is here, vindt u deze hier

Editorial

Dear Readers

At the end of the letter, you will find a long interview with the philosopher Edgar Morin. The epidemic crisis, he tells us, must teach us to better understand science and to live with uncertainty. And to rediscover a form of humanism.

Let us continue to comply with containment measures.
Enjoy readingFrançois

Monday's Press Review

> Air France: the Ben Smith plan to get through the crisis

(source La Tribune) April 10 - Everything is going very fast. The flight schedule hypotheses presented internally at Air France last week are no longer valid. While almost the entire Air France and KLM fleet is grounded, there was still talk of ensuring a very ambitious offer in July and August: bringing back on line 70 to 80% of the long-haul seat offer initially planned for this summer before the Covid crisis, 80 to 90% on medium-haul and 65 to 75% on short-haul. Unsurprisingly, these assumptions no longer hold. The CEO of Air France-KLM, Ben Smith, indicated this on Friday to pilots during a videoconference. **After minimal activity in June, when only 20% of overall capacity could be provided, Ben Smith intends to return to service in July with 40% of the offer (in terms of available seat kilometres) initially planned before the crisis, then 60% in August, before reaching 75% in the fourth quarter at best**. This still seems terribly ambitious, at least for this summer. Like many, the CEO of Air France-KLM is forecasting a slow and gradual recovery. For Ben Smith, it will take two years to return to the same level as 2019.

The situation is critical. Air France-KLM is **losing 25 million euros a day**. (...) According to our information, Air France is losing between EUR 500 and 600 million per month (excluding the State's contribution to short-time working). This was recently presented to staff representatives. All this for a cash flow of EUR 1,5 billion (KLM has the same level and Air France-KLM has about EUR 2,5 billion).

The group needs external help to bail itself out. "In the **absence of additional financing, a need for liquidity is expected in the third quarter of 2020," Air France-KLM warned on Thursday in its press release, adding that these were its "best estimates".** "Consequently, the Air France-KLM group, Air France and KLM, are conducting in-depth discussions with their respective governments and financial institutions in order to have the resources that will enable them to secure and sustain adequate levels of liquidity, by all means," the group said.

Negotiations are underway with the French and Dutch governments to obtain guaranteed loans. There are two requests to the French State. One aims to obtain liquidity to get through the crisis in the short term (4 to 5 months), the other is intended to cover the next 12 to 18 months.

Problem. Banks are reluctant to lend with a state guarantee on 75% of the loans. **According to the pilots, Ben Smith would seek an uncapped level of cash with a 90% government guarantee**. The Canadian leader would be hostile to a nationalization of Air France that would not meet the group's short-term cash needs, he told the pilots.

The low level of capacity expected by the end of the year will result in overstaffing and too many aircraft. But **if the state guarantees the loans to Air France, it could require the group not to lay off staff.**

For the time being, management does not foresee any layoffs. Nevertheless, a quarter of the fleet could be scrapped by the end of the year. While the next two A350s will be delivered in May and June, no decision has been taken for the last B787 and the two A350s scheduled for delivery in the fourth quarter. For the time being, delivery of the first A220s in the fall of 2021 remains unchanged. Ben Smith intends to bring forward the A380 fleet.

My comment: *The figures mentioned in the article should be taken with reservation. They would have been mentioned during a videoconference between the General Management and a thousand Air France pilots.*

More reliable are the elements below, which were the subject of an Air France-KLM Group press release.

Since the beginning of the crisis, the Air France-KLM Group has taken significant measures: cost reductions estimated at this stage at 500 million euros in 2020, a revision of the investment plan of at least 700 million euros in 2020. 700 million in 2020. The Group has also negotiated deferred payments with aircraft lessors, and with governments to defer payment of taxes (civil aviation, solidarity, etc.), social security contributions and various charges.

Air France and KLM have each taken steps to manage the reduction in activity of their employees, measures which should generate savings estimated at 1.1 billion euros in 2020.

"Our current best estimates show that, in the absence of additional financing, a liquidity requirement is expected in the third quarter of 2020. Consequently, the Air France-KLM Group, Air France and KLM, are conducting in-depth discussions with their respective governments and financial institutions in order to have the resources to secure and sustain adequate levels of liquidity, by all means, notably in the framework of the European Commission's Temporary Framework on State Aid published on 19 March 2020".

> Is a loan package really the lifeline for Air France-KLM?

(source Het Financieele Dagblad translated with Deepl) 10 April - **The rescue of Air France-KLM is approaching. The preferred scenario is a €6 billion loan package with a State guarantee**. But there are other options, such as a capital increase, nationalisation or full unbundling. (...)

The question is how long the company can survive. **Air France-KLM is burning money fast**. Bruno Le Maire, the French finance minister, said Wednesday with a sense of drama that the company is losing "billions a month" because of the coronavirus crisis. This seems exaggerated. **A cash requirement of around 1 billion euros per month seems closer to** the **truth. (...)**

Paris and The Hague seem to be heading towards a loan. (...) **But there are several financial options**.

1 A loan package of 6 billion euros Due to the current aviation problems, Air France-KLM's cash position has been seriously weakened. It was 6.6 billion euros in mid-March, but it will soon be at zero as almost the entire fleet is tied up on the ground.

In this scenario, Air France will receive around €4 billion and KLM €2 billion. (...) The group's net debt at the end of last year amounted to more than EUR 6 billion. In the scenario where EUR 1 billion is lost by the company every month, this debt can reach EUR 18 billion. Compared to the EBITDA of 2019, **the debt ratio would then be extremely high,** especially if a smaller airline were to be integrated in the future.

2 An appeal to shareholders

The shareholders are the Dutch and French states, each with a stake of around 14%. In addition, China Eastern and the US airline Delta Airlines each hold 9%. The **shareholders could put additional money** into the company to meet the needs.

But in the case of Air France-KLM this would be difficult. The Dutch and French states have a major interest in this, **but China Eastern and Delta Airlines have their backs to the wall. They have no means of providing capital**.

3 A capital injection by the Dutch and French States

Paris and The Hague could jointly make a capital injection of EUR 6 billion. This too would be a complex story, because at the current market value of more than EUR 2 billion, the other shareholders would soon see their shareholding diluted by a factor of four. (...) In short, **it seems unlikely that this option would be retained**.

4 Nationalisation

The nationalisation of an airline (...) would mean a return to the 1980s, the era of regulation. And would it comply with European competition rules? (...)

If Air France-KLM were nationalized, some 1.5 billion euros would first have to be earmarked to buy out the 70% shares of the other shareholders. To this would be added the €6 billion increase in Air France-KLM's capital.

For the airline, nationalisation would be financially attractive and offer greater security. But is it really politically feasible? The states will attach strict conditions to it. But the needs are great and many jobs, some 80,000 in total, are at stake.

5 Back to two companies

Immediately after the outbreak of the coronavirus crisis, **it has already been suggested in the Netherlands that the two airlines should be independent again**. Admittedly, there is a lot of grumbling on the part of KLM about the difficult relations with the French. But in the current crisis, contradictions seem to be relegated to the background. **Pieter Elbers left no doubt last week: there is no unbundling in any scenario**.

My comment: *Several solutions are available to the French and Dutch States to support Air France-KLM. They are identical to those envisaged to help most of the world's airlines.*

With the exception of direct aid granted to pay all or part of the salaries, only one airline has so far benefited from concrete measures. This is Singapore Airlines, which has obtained USD 10 billion from its shareholders. The others, including Air France-KLM, are in negotiations with governments and banks.

> 56.6% drop in passenger numbers for Air France-KLM in March

(source AFP) 9 April - The **number of passengers carried by the Air France-KLM group collapsed by 56.6% in March compared with the** same period a year ago, as the coronavirus was spreading worldwide, the group announced on Thursday.
For April and May 2020, the carrier expects "more than 90% of planned capacity to be suspended" due to travel restrictions imposed worldwide and the two group companies "intend to continue to serve key city pairs from their respective hubs" of Amsterdam-Schiphol and Paris-Charles-de-Gaulle, in the form of reduced operations, according to a statement.
In March, **Air France, KLM and Transavia**, the group's low-cost carrier, **operated "special flights to repatriate citizens to their countries of origin, in** close cooperation with the French and Dutch governments," the group said.
Air France-KLM states that it is not in a position to **provide information beyond May 2020, 'due to the high level of uncertainty as to the duration of the crisis' and** adds that it is 'monitoring developments on a daily basis and assessing accordingly whether further adjustments are needed on the network'. (...)
The group stated that it would 'suspend monthly traffic reports until further notice due to the significant capacity reductions related to Covid-19'. (...)

My comment: *Over the next few weeks, the Air France-KLM Group's communications will focus on crisis management.*

If you are a shareholder of the Air France-KLM Group, you will also receive its corporate communication in view of the next Annual General

Meeting. It will be held on 26 May 2020 at l'Espace Grande Arche - La Défense.

> Congo: Air France repatriation plane hit by gunfire

(source AFP) 12 April - **An Air France repatriation plane was damaged by gunfire at** Congo's **Pointe-Noire airport on** Saturday evening. **No one was injured after the shooting as the plane had no crew or passengers, with the flight to France scheduled for Sunday.**

"The aircraft was stationary at its parking point at the time of the incident, with no crew or passengers on board," Air France said in a statement. A source close to the file told AFP that the aircraft had been hit by bullets, without being able to specify the circumstances. (...)
The aircraft "was due to make a repatriation flight between Pointe-Noire, Bangui and Paris-Charles de Gaulle on Sunday [...]. The flight originally scheduled to depart at 10 a.m. [local time] has been postponed for 24 hours to allow a replacement aircraft [Boeing 777-200] and crew to be flown from Paris-Charles de Gaulle," the company said. (...)
"Apparently" the incident is "related to an altercation and disagreement between an officer of the TSB [Territorial Surveillance Branch] and his chief. The officer who fired the shot was under the influence of alcohol. It was a Kalash shot in the air that hit the aircraft," an anonymous source close to the file said.

> Lufthansa does not see a return to normal for years and imposes a drastic slimming cure on itself

(source La Tribune) 7 April - Faced with the Covid-19 crisis, the Lufthansa group (Lufthansa, Austrian Airlines, Swiss, Eurowings, Brussels Airlines), continues to take strong measures faster than its competitors. (...)

With the measures taken to get through the 'shutdown' and the negotiations with the German Government under way to obtain aid worth billions of euros, the German group is already looking ahead to the period afterwards. (...) **Contrary to the forecasts of the International Air Transport Association** (IATA), which expect a recovery in 2021, **Lufthansa "does not expect the air transport industry to return quickly to pre-crisis levels,**" the group states in a statement. The "complete lifting of travel restrictions will take months" and the return of demand to normal "years", it says.

According to our information, **some within Lufthansa do not expect demand to return to 2019 levels for another four to five years**. Moreover, according to an internal Lufthansa Technick document that Lufthansa did not want to comment on other than to say that it was not "an official publication", the current situation could last until the end of September, and the return to service of capacity would only really begin in October with a slow return to flight of aircraft allowing between 25% and 75% (at best) of capacity to be reached by December. (...)

Lufthansa will sharply reduce the size of its fleet by permanently divesting 42 aircraft, including numerous wide-body aircraft (six A380s by 2022, five B747-400s, seven A340-600s, three A340-300s) and 21 short- and medium-haul A320s. (...) In addition, Germanwings will close (the brand no longer exists since 2015) and its operations will be integrated into Eurowings, as already announced several years ago. Eurowings' long-haul activities will be reduced. **Swiss and Austrian will not be spared by the restructuring. Their fleets will also be reduced**.
Lufthansa has not detailed the employment impact of this restructuring but has promised that "the objective" is to "keep as many jobs as possible". (...)

My comment: *The fleet reduction announced by Lufthansa (-10% of the parent company's fleet) is less spectacular than it seems. However, it does reflect the perception of Lufthansa's management: the exit from the crisis will be slow.*

> EasyJet postpones delivery of 24 Airbus aircraft

(source Le Journal de l'Aviation) April 10 - This is news that might please Stelios Haji-Ioannou, **easyJet's** main shareholder, a little, but it's not likely to please him. The company **announced that it has reached an agreement with Airbus to postpone the delivery of 24 aircraft scheduled for 2020, 2021 and 2022**. This will relieve some of the pressure on the company's cash flow. (...)
EasyJet also has another lever to rely on to ensure flexibility: its leasing contracts. Twenty-four of these are renewable or non-renewable for the next sixteen months. It believes that it will be able to reduce its capacity in order to adapt to the drastic drop in demand following the Covid-19 crisis and will be able to avoid major expenses (advances on payments for the A320neo). The fleet plan will be set out in more detail on 16 April. At the same time, **the Group has responded favourably to a new request for the organisation of a general meeting** filed on 8 April. Initiated by

Stelios Haji-Iaonnou, **it aims to** remove non-executive director Andreas Bierwirth and CFO Andrew Finlay from their positions and, above all, **to cancel an order for 107 Airbus single-aisle aircraft**.

My comment: *The easyJet situation is challenging. Its founder and main shareholder (with one third of the shares) is doing everything it can to receive dividends in 2020.*

Yet the British government has warned that it will not help airlines that pay dividends to their shareholders. It should be remembered that easyJet has indicated that it has received a £600 million loan from the Treasury and the Bank of England.

The next annual general meeting of easyJet's company will be rich in lessons about the future of the British company.

> Ryanair without repayment against aid to Austrian Airlines

(source Air Journal) 10 April - (...) **Initially praised for its policy of refunding cancelled flights in** accordance with the EU261 directive, the Irish low-cost flight specialist seems to agree with the carriers who find it too dangerous for their cash flow and prefer to offer credit notes. In recent days, **Ryanair** passengers have received emails explaining that it **"will not be able to process refund requests" before the end of the health crisis**. Its employees in charge of payments "are required to stay at home in the fight against the Covid-19 pandemic, and payment security restrictions prevent us from processing cash refunds until the crisis is over," Ryanair said **according to passengers who received the email.** (...)
In Austria, the Lauda Air subsidiary asked the government not to provide aid to the national airline Austrian Airlines, explaining that Austrian taxpayers 'should not subsidise a German company. (...) We do not believe that Lufthansa should receive state aid from Austrian taxpayers in exactly the same way as we do not believe that Ryanair should receive state aid from Austrian taxpayers," Lauda Air CEO Andreas Gruber told Reuters. And **if Austrian Airlines does eventually receive state aid, then low-cost will demand the same - on behalf of its 550 Austrian employees**. (...)

> Norwegian Air wants to restructure its debt

(Reuters source) 8 April - **Norwegian Air**, whose fleet is grounded almost entirely due to restrictions related to the coronavirus pandemic, **offered on** Wednesday to **convert some of its debt into shares and**

issue new shares to keep it afloat.
By doing so, the low-cost Norwegian airline could also benefit from public guarantees of up to three billion Norwegian kroner (around **265 million euros),** which are conditional on a reduction in the debt-to-equity ratio.
As a pioneer of low-cost transatlantic routes in 2013, Norwegian has quickly become the leading foreign airline serving the New York area and a major player in other US airports. But this expansion came at the price of debt and commitments representing nearly $8 billion at the end of 2019.
Last month, **Norwegian** decided to lay off nearly 90 percent of its 7,300 employees, while seeking help from Norwegian authorities, saying it **needed cash "in weeks, not months.**

"Norwegian wants to strengthen its balance sheet by converting debt into shares to meet the requirements of the Norwegian state guarantee programme and create a sustainable platform," the group said in a statement on Wednesday. **An extraordinary general meeting will be held on 4 May** to approve the plan, he added.

My comment: *Does every country in Europe still have to have its own national airline? The question arises when it comes to supporting an airline (Norwegian) that was in great difficulty before the crisis. All the more so as it is facing competition from SAS, which has three bases in Scandinavia (Oslo, Stockholm and Copenhagen), with the same turnover but with better results.*

In times of crisis, it may seem comforting to have a national carrier, public or private, that can take its fellow citizens on holiday to the other side of the world, or that is willing to go and get medical equipment. But any other carrier that has grounded its planes would be prepared to do the same. We see this in France, where regions have chartered Gulf companies to transport medical equipment between China and France.

> Coronavirus: Ethiopian Airlines has already lost half a billion dollars

(source AFP) 7 April - **Ethiopian Airlines, Africa's leading airline, has already lost half a billion dollars** and closed most of its passenger routes since the start of the new coronavirus pandemic. (...) In order to face this crisis, explained its CEO Mr. Tewolde, the **company will concentrate its efforts on cargo,** including the supply of medical equipment, and may even remove passenger seats from some of its planes. **However, the cargo activity still only represents 15% of**

Ethiopian Airlines' revenues, its CEO acknowledged. (...)
Mr. Tewolde said he was confident that the company, owned by the Ethiopian state, would weather the storm without having to lay off any of its 13,000 regular employees.
But he did not **rule out the possibility that the company may need outside financial assistance to keep afloat.** "Our plan is to weather and get through this crisis on our own, but if unfortunately it extends beyond what we imagine, we will see that when the time comes," he said. (...)

> Malaysia Airlines: a $2.5 billion offer

(source Air Journal) 8 April - In **order to take over the entire holding company Malaysia Aviation Group (MAG) which owns the Malaysian national airline, Golden Skies Ventures Sdn Bhd (GSV) said on 7 April 2020 that it had obtained "more than 2.5 billion dollars" from an unspecified European bank**. Questioned by Reuters, GSV CEO Shahril Lamin estimated that it would take "three or four months" to obtain long-term financing, with a "Japanese private equity firm" ready to inject "immediate" funds into the Malaysia Airlines group "through a participation agreement". (...)

Founded by former **Malaysia Airlines** managers and professionals with aviation experience, GSV reportedly submitted its proposal a month ago to the Morgan Stanley bank, hired by Kazanah to manage the sale of the company, which **has never recovered from the successive loss of two aircraft in 2014** - one missing in the Indian Ocean (flight MH370) and the other shot down over Ukraine (flight MH17). (...)
Khazanah Nasional Bhd is not convinced by the offer: according to the Daily Express, **the sovereign fund is sceptical about the proposal, saying that Golden Skies "has not been able to prove its source of funding".** According to its managing director Shahril Ridza Ridzuan, it would be "prudent" to know whether the offer was made with financial backing, given the global airline crisis and credit risk aversion at this time. "In addition, **their initial proposal is based 100% on third party debt financing**. **They have no equity capital,**" he said.
Since mid-March, **Malaysia Airlines has suspended more than 4,000 flights** and plans to maintain reduced capacity until the end of June, cutting all flights out of Jakarta to South-East Asia and most of its rotations to London. **It has also asked its employees to take three months of unpaid leave**.

> Leasing companies expect lower prices and fewer

aircraft rentals

(source Le Journal de l'Aviation) April 6 - The **leasing industry is also preparing for the effects of the covid-19 pandemic crisis**. A study conducted by IBA and Split Rock Aviation indicates that **aircraft rates and values are expected to decline in the** coming months and that the **market's physiognomy should change, with a sharp increase in contract terminations due to the enormous difficulties currently facing airlines**. (...)

For the first time in more than 30 years, lease terminations are expected to outnumber new contracts, driven by the natural increase in lease maturities and upcoming bankruptcies. IBA estimates that the number of aircraft returned to the market as a result of airline bankruptcies could exceed 425 in 2020 and approach 600 in 2021.

As for new agreements, they are expected to fall significantly, except for leasing agreements, which meet airlines' need for liquidity - as illustrated by Cathay Pacific's sale and lease back agreement signed in March with BOC Aviation for six of its Boeing 777-300ERs. (...)

"It's going to be a pretty tough situation for leasing companies," says Phil Seymour. While BOC Aviation doesn't seem to be worried and has complete confidence in its balance sheet, **Avolon has already begun to take steps to protect itself**. The Irish company has announced the cancellation of orders for 75 Boeing 737 MAX aircraft, scheduled for delivery in 2020-2023, and the deferral of another 16 aircraft to 2024 and beyond. Similarly, four A330neo aircraft scheduled for 2021 were cancelled and nine Airbus A320neo family aircraft were postponed to 2027. **The company reports that 80% of its customer base has contacted it to request relief measures, mainly short-term payment deferrals.**

My comment: *While the larger aircraft leasing companies have sufficient liquidity to withstand the crisis, the same cannot be said for the smaller ones. As with the airlines, we could see a consolidation of the sector.*

> Air freight is not in crisis

(source Le Journal du Dimanche) 12 April - (...) As the leading air freight hub in Europe, Roissy has 80 cargo aircraft positions in an area equivalent to a terminal with 45 million passengers. Air freight accounts for only 2% of the volume of goods transported worldwide," acknowledges Edward Arkwright, executive managing director of ADP, "but in terms of value, it represents 35%. **"Everything expensive gets flown: aircraft parts, new mobile phones, computers, racehorses**

and, of course, luxury accessories made in France.

For the big houses, the cargo terminal is even busiest at weekends. "Made during the week, the goods are sent directly to Asia between Saturday and Sunday," explains Henri Le Gouis, Bolloré Logistics' Director for Europe. (...)
Economic activity is starting to pick up again in Asia, explains Édouard Mathieu, cargo director at ADP. "The demand is there for fresh products, but also for industrial components, luxury goods... ». (...) **Air France has also re-launched itself in the game**. On Tuesday, the French carrier will operate a new flight with a passenger aircraft full of goods - from the hold to the cabin - with parcels of medical equipment stuck between the seats, on top and even in the baggage compartments. This Hong Kong-Paris-Hong Kong route also marks the return of Air France's cargo business with China (...) explains Christophe Boucher, Air France's Cargo Director, an activity which last year generated 800 million euros in revenues.
These revenues are strategic for companies struggling for cash flow, forced by an unprecedented global crisis, and condemned, like Air France, to seek financial aid from the State. In this context, the price per kilo carried - between EUR 1.50 and EUR 2.50 - has become an invaluable source of cash. **Dozens of airlines have decided to fly their passenger aircraft with freight.** "This sometimes requires negotiating special authorisations with governments because the slots granted for passenger transport are not the same as for freight," says Mathias Lepeut, head of cargo operations for Qatar Airways in Europe.
For the airlines, running these aircraft and their pilots is more profitable than having to put up with their downtime. But above all, keeping fleets and crews operating will facilitate recovery, the day the global health crisis ends.

My comment: *To visualize the impact of the crisis, I advise to go to the FlightRadar24 website.*

The result is edifying. The number of flights between Europe and Asia is very low and most of them are cargo flights.

> Boeing 737 Max Certification Flight Pushed Back by FAA

(source: Avions légendires) 9th April - Fate is really taking its toll on the American manufacturer and its single-aisle aircraft. **On Tuesday, April 7, 2020, the Federal Aviation Administration announced that the recertification flight of the 737 Max family would not take place**

until next month at the earliest. According to the aircraft manufacturer, this announcement will allow it to correct two minor defects recently detected. Officially, Boeing is still hoping for a return to normal by the end of spring. (...)
Boeing took advantage of this FAA announcement to unveil the discovery of two technical points in the MCAS software that needed to be updated. It's a good thing its engineers and technicians have a few days' reprieve before the certification flight. One of **them concerns a small but very real risk of inadvertent autopilot disengagement during the landing phases**. (...)
As a reminder, this certification flight postponed to May 2020 only concerns the 737 Max 7, 737 Max 8, and 737 Max 9. And this applies to both the classic commercial versions and the BBJ Max business jets, because in the end it is only a question of differences in the interior fittings. The new 737 Max 10 is not in the loop because its certification is simply not possible at the moment: it has not yet made its first flight. The first flight is expected to take place between late spring and early summer, if all goes well.

My comment: *Will the B737 Max be able to fly when the airlines resume operations?*

In the event of a slow recovery, the need for new aircraft will be reduced. Airbus could then be able to meet the majority of short-haul aircraft needs.

If the B737 Max misses the rendezvous, it could be catastrophic for Boeing.

IATA prepares for recovery and calls for coordination >
IATA prepares for recovery and calls for coordination

(source Le Journal de l'Aviation) 7 April - While continuing to call on governments and regulators to put in place the promised support measures very quickly, IATA wants to prepare air transport for the recovery. (...)
One of the first aspects that will need to be addressed will be technical. **The longer operations are stopped, the more difficult it will be to restart.** This applies to aircraft in particular, but not only. **Negotiations with the regulators are therefore of prime importance in order to manage the possible expiry of personnel licences, certificates of airworthiness,** etc. "We will need to have serious and open discussions with the regulators to ensure that all regulatory aspects are secure. We'll need to have serious and open discussions with the regulators to make

sure that all the regulatory aspects are secure. We've never stopped the industry on this scale before, so this will be the first time we're going to get almost everything up and running again. »

The other unknown is "the adaptation of the airline industry to the post-Covid reality". **IATA is** aware that the authorities will want to ensure that everything is done to avoid a resumption of the pandemic. Noting that China has already imposed restrictions that were not even in force at the peak of the epidemic, it **wants the measures** they deem necessary to **be negotiated and coordinated, whether it is a question of implementing new controls, taking the temperature of passengers or other measures**. (...)

My comment: As we *emerge from the crisis, health concerns could be given the same importance as environmental concerns.*

The airline industry would be well advised to take coordinated decisions in both areas.

> Better days will come again...

(source Le Journal de l'Aviation) 7 April - Time has now stood still for world air transport and uncertainties about the recovery are turning into pessimism day by day, so many concerns seem to be building up for the industry and even though IATA is being particularly proactive with airlines, airports, governments and health authorities. In theory only, **demand has not** disappeared, but it **remains closely linked to the lifting of travel bans and restrictions around the world, while there is no vaccine or antiviral treatment to combat the coronavirus, and to the impact of the economic crisis on passengers**.

It is therefore understandable that not all the world's airlines will be in the same boat and that this recovery will depend very much on the nature of the carriers' activities. **An airline specialising in continent-wide point-to-point flights** (such as the world's major low-cost carriers) **will logically be less sustainably affected than an airline with a business model that is highly exposed to intercontinental flights** (as are the major traditional carriers).

Worse still, referring to previous economic crises which have had major consequences for air transport, on each occasion many passengers travelling for business purposes were downgraded by their company by one cabin, thus significantly impacting on airline revenues on long-haul routes, with "high-contribution" passengers making a major contribution to the commercial sustainability of this type of flight.

However, this time there is also **another matter of concern which**

directly concerns the behaviour of passengers, which may change in the coming months. The image of the passenger confined to a crowded cabin in these times of covid-19 has never been so far from idyllic happiness, even if the latest EASA instructions aimed at limiting the risks of contamination in the cabin (stopping recirculating air, advice on passenger distribution for greater spacing...) are welcome, but obviously transitory. As another example, **many travellers may be far more likely to prefer direct flights, a trend which will necessarily be to the detriment of economic models based on connecting hubs** (and thus again of the major traditional airlines).
It is clear that the crisis that is beginning for air transport will not end with the resumption of a large part of their flight schedule. But as Queen Elizabeth II has just announced, "better days will return".

My comment: *What will the air transport landscape be like in 2021?*

Will the passengers change their behaviour? Will business travel decrease due to the increasing use of videoconferencing? Will we see an acceleration of consolidation? Will the feeding of hubs by low-cost carriers become the norm? Will there be a decline in the hub model in favour of direct connections?

No one has the answer, but all these topics are on the airlines' table. Better days will come ... for airlines that can adapt quickly.

Stock market press review ...

> Oil: "historic" agreement between exporting countries for a drop in production

(source Capital) April 13 - **Oil-exporting countries, led by Saudi Arabia and Russia, agreed on Sunday evening to cut** (...) **oil supply by 9.7 million barrels per day (mbd) in May and June,** the Organization of the Petroleum Exporting Countries (Opep) announced.

Welcoming a "historic adjustment" in production, Opec Secretary General Mohammed Barkindo said the reduction would be "the largest in volume and the longest in duration" ever implemented by the cartel and its partners. **The organization** led by Saudi Arabia, which has been cooperating with Russia for the past two years, **intends to apply these quotas until May 2022, increasing them to 7.7 million mbd in the second half of 2020, then to 5.8 million mbd.**

Whereas the frictions between Ryad and Moscow, launched in a war of prices and market shares, had dominated these last weeks, it is a dispute with Mexico which blocked since Thursday the answer wished by the majority of the producers.
Mexico judged excessive the effort which was claimed to him whereas the government invested heavily to restart the production. In the end, the country seems to have obtained satisfaction, the Opep having revised a little downwards its objective of a 10 mbd cut for May and June. (...)
"**Oil prices will stabilize**, the oil market will stabilize and (it) will be the basis for financial, commercial and economic recovery in a post-pandemic world," said President Nicolas Maduro. **Analysts were less certain of this**, welcoming an unprecedented effort by producers but **pointing out that storage capacity was reaching saturation** and that, for the time being, downward pressure was likely to continue on the price per barrel. (...)

My comment: *The oil-producing countries had no choice. They had to reduce their production, otherwise it would have been impossible to stockpile their production.*

The bonus article...

> Edgar Morin: "We must live with uncertainty."

(source Le journal CNRS) April 6 - The philosopher Edgar Morin. "I'm not saying I foresaw the current epidemic, but I've been saying for several years now that with the degradation of our biosphere, we must prepare ourselves for disasters. "
Confined to his home in Montpellier, the philosopher Edgar Morin remains faithful to his global vision of society. The epidemic crisis, he says, must teach us to better understand science and to live with uncertainty. And to rediscover a form of humanism.
The coronavirus pandemic has brutally put science back at the centre of society. Is society going to emerge from it transformed?
Edgar Morin: What strikes me is that a large part of the public considered science to be the repository of absolute truths, irrefutable assertions. And everyone was reassured to see that the president had surrounded himself with a scientific council. But what happened? Very quickly, it became clear that these scientists were defending very different and sometimes contradictory points of view, whether on the measures to be taken, the possible new remedies to respond to the emergency, the validity of this or that drug, the duration of the clinical

trials to be undertaken... All these controversies introduce doubt into the minds of citizens.

Are you saying that the public is in danger of losing confidence in science?

E.M. : No, if he understands that science lives and progresses through controversy. The debates around chloroquine, for example, have made it possible to ask the question of the alternative between urgency or caution. The scientific world had already experienced strong controversy when AIDS appeared in the 1980s. But what the philosophers of science have shown us is precisely that controversy is an inherent part of research. Research even needs them in order to progress. Unfortunately, very few scientists have read Karl Popper, who established that a scientific theory is such only if it can be refuted, Gaston Bachelard, who raised the problem of the complexity of knowledge, or Thomas Kuhn, who clearly showed how the history of science is a discontinuous process. Too many scientists are unaware of the contribution of these great epistemologists and still work from a dogmatic point of view.

Will the current crisis be such as to change this vision of science?

E.M. : I can't predict it, but I hope that it will serve to reveal the extent to which science is more complex than we would like to believe - that we are on the side of those who see it as a catalogue of dogmas, or those who see scientists as nothing more than so many Diafo viruses (a charlatan in Molière's Le Malade Imaginaire) constantly contradicting each other...

I hope that this crisis will serve to reveal how science is something more complex than we want to believe. Science is a human reality which, like democracy, is based on the debate of ideas, although its modes of verification are more rigorous. In spite of this, the great theories accepted tend to be dogmatized, and the great innovators have always had difficulty getting their discoveries recognized. The episode we are living through today may therefore be the right moment to make citizens and researchers themselves aware of the need to understand that scientific theories are not absolute, like the dogmas of religions, but biodegradable .

The health disaster, or the unprecedented situation of containment that we are currently experiencing: what do you think is more striking?

E.M.: There is no need to establish a hierarchy between these two situations, since they have been linked in chronological order, leading to a crisis that can be described as a crisis of civilization, because it forces us to change our behavior and our lives, both locally and globally. All this is a complex whole. If we want to look at it from a philosophical point of view, we have to try to make the connection between all these crises and reflect above all on uncertainty, which is its main

characteristic.
What is very interesting about the coronavirus crisis is that we still have no certainty about the very origin of this virus, nor about its different forms, the populations it attacks, its degree of harmfulness... But we are also experiencing great uncertainty about all the consequences of the epidemic in all areas, social and economic.
But how do you think these uncertainties form the link between all these crises?
E.M.: Because we have to learn to accept them and live with them, at a time when our civilization has instilled in us the need for ever greater certainties about the future, often illusory, sometimes frivolous, when we have been told precisely what is going to happen to us in 2025! The arrival of this virus should remind us that uncertainty remains an impregnable part of the human condition. All the social insurances you can subscribe to will never be able to guarantee that you will not fall ill or that you will be happily married! We try to surround ourselves with as many certainties as possible, but living means sailing in a sea of uncertainty, through islets and archipelagos of certainties on which we take our supplies...
That's your own rule of life?
E.M. : It is rather the result of my experience. I have witnessed so many unforeseen events in my life - from the Soviet resistance in the 1930s to the fall of the USSR, to speak of just two unlikely historical events before they happened - that it is part of my way of being. I don't live in permanent anxiety, but I expect more or less catastrophic events to occur. I am not saying that I foresaw the current epidemic, but I have been saying, for example, for several years now that with the degradation of our biosphere, we must be prepared for disasters. Yes, this is part of my philosophy: "Expect the unexpected.
"We try to surround ourselves with a maximum of certainties, but to live is to navigate in a sea of uncertainties, through islets and archipelagos of certainties on which we are relying... Moreover,
I am concerned about the fate of the world after having understood, when I read Heidegger in 1960, that we are living in a global era, and then in 2000 that globalization is a process that can cause as much harm as good. I also observe that the uncontrolled unleashing of techno-economic development, driven by an unlimited thirst for profit and favoured by a generalised neo-liberal policy, has become harmful and causes crises of all kinds. From then on, I am intellectually prepared to face the unexpected, to confront upheavals.
Sticking to France, how do you judge the management of the epidemic by the public authorities?
E.M. : I regret that certain needs have been denied, such as the need to wear a mask, just to... mask the fact that there were none! It has also

been said: tests are useless, only to hide the fact that we didn't have any either. It would be humane to acknowledge that mistakes were made and that we will correct them. Responsibility means acknowledging one's mistakes. That said, I noted that, in his first crisis speech, President Macron did not just talk about companies, he talked about employees and workers. That is a first change. Let us hope that he will finally free himself from the financial world: he even mentioned the possibility of changing the development model?

Are we then moving towards economic change?

E.M.: Our system based on competitiveness and profitability often has serious consequences for working conditions. The massive practice of teleworking, which is a consequence of confinement, can help to change the functioning of companies which are still too hierarchical or authoritarian. The current crisis can also accelerate the return to local production and the abandonment of the whole disposable industry, thus giving back work to craftsmen and local shops. At a time when trade unions are very weak, it is all these collective actions that can have an impact on improving working conditions.

Are we experiencing a political change, where the relationship between the individual and the collective is being transformed?

E.M. : Individual interest dominated everything, and now solidarity is awakening. Look at the hospital world: this sector was in a state of deep dissension and discontent, but faced with the influx of sick people, it is showing extraordinary solidarity. Even when the population was confined, they understood this when they applauded, in the evening, all those people who are dedicated and work for them. This is undoubtedly a moment of progress, at least at the national level.

I am not saying that it is wise to stay in one's room all one's life, but if only because of the way we consume or eat, this confinement is perhaps the time to get rid of all this industrial culture, the vices of which are well known.

Unfortunately, we cannot speak of an awakening of human or planetary solidarity. Yet we human beings of all countries were already facing the same problems in the face of environmental degradation or economic cynicism. As we all find ourselves confined today, from Nigeria to New Zealand, we should realize that our destinies are linked, whether we like it or not. This would be a time to refresh our humanism, because until we see humanity as a community of destiny, we cannot push governments to act in an innovative way.

What can the philosopher that you are teach us to get through these long periods of confinement?

E.M. : It's true that for many of us who live a large part of our lives away from home, this sudden confinement can be a terrible inconvenience. I think it can be an opportunity to reflect, to ask ourselves what is frivolous or useless in our lives. I'm not saying that it's wise to stay in one's room all one's life, but even if it's only about the way we eat or drink, it may be the time to get rid of all this industrial culture whose vices we know, the time to detoxify ourselves from it. It is also an opportunity to become permanently aware of these human truths that we all know, but which are repressed in our subconscious: that love, friendship, communion and solidarity are what make up the quality of life. ♦

End of press review

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

The Air France-KLM share closed at 5.276 euros on Thursday 9 April (the stock market was closed on Friday 10 and Monday 13 April)**. It rose by 3.09%.** At the start of the coronavirus epidemic, it was at 9.93 euros.

The average (the consensus) of analysts for the AF-KLM share is 8.97 euros. You can find on my blog the details of the analysts' consensus.

Brent crude oil (North Sea) **is at $32 a barrel, down $2 this week.** When the coronavirus outbreak started, it was $69. Experts believe that, following the agreement between Opep and Russia, its price should rise.

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

If you like this press review, pass it around.

New readers will be able to receive it by giving me the email address of their choice.

| François Robardet

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