he government must require Air France to sign an ecological transition contract

I Letter from the Director Air France-KLM

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

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Editorial

Dear Readers

At the end of the letter, you will find an article providing a broad overview of European airlines.

I hereby announce that the Air France-KLM Annual General Meeting will be held on Tuesday 26 May 2020 at 2.30 p.m. at 45 rue de Paris, 95747 Roissy CDG, Cedex, without the physical presence of shareholders or other persons entitled to attend. It will be broadcast live via webcast on the Group's website.

You can already find the 2019 UNIVERSAL REGISTRATION DOCUMENT on the Air France-KLM Group website, on the financial information page. It contains in particular the resolutions which will be submitted to the shareholders' vote.
You will also find the link to this document on the home page of my blog navigaction com.

Let us continue to respect the containment measures.
Happy readingFrançois

Monday's Press Review

> The government must require Air France to sign an ecological transition contract

(source Le journal du dimanche) 17 April - INTERVIEW - **MEP Pascal Canfin (**Renew), **chairman of the European Parliament's Environment Committee, believes that the French state must take environmental guarantees before providing financial aid to large groups in difficulty, notably Air France**. He believes it is essential to "sign an ecological transition contract" with the airline, as the draft amending finance bill is being debated in the National Assembly on Friday. (...)

Should the State save Air France, which is in great difficulty in the face of the crisis?
Obviously, **we must save Air France,** which is a structuring company in terms of sovereignty. On the other hand, we must not repeat the mistakes made in 2009, when we saved companies during the financial crisis without reorienting their economic model towards a trajectory compatible with the fight against climate change. It is important for **the government to** say that it will put the necessary money on the table to save Air France, but at the same time it **must announce that it will require the company to sign an ecological transition contract that will detail how Air France is going to change its economic model to make it compatible with the commitments of the European Green Deal, the Paris Agreement and carbon neutrality**. (...)
How do you imagine such a contract?
This ecological transition contract will have to reflect the alignment of the companies' strategy with carbon neutrality. **In the case of Air France, this involves, for example, restructuring of routes, investment in alternative fuels and electric aircraft, mainly for short-haul flights, quality carbon offsetting, and ultimately support for higher taxation on air transport.** Because the great paradox is that air transport pays very little tax but is going to be a very large consumer of public expenditure. It is therefore unimaginable that this sector will continue to be a kind of stowaway that refuses to pay taxes but comes to ask for taxpayers' money when it needs it. (...)

We must not think in terms of constraints but rather in terms of innovation that will give a lead. This is what we expect from Air France, but also from Airbus. Airlines depend on manufacturers from a technological point of view, and airline manufacturers from a market and demand point of view. **In the ecological transition contract, Air**

France must undertake to finance research and, once on the market, to buy carbon-free aircraft. This will give Airbus a guarantee on its orders.
Can we imagine such an agreement outside the European framework?
The question arises in exactly the same terms in other European countries whose airlines need public support. So this is obviously a European issue. The Commission must produce a reference framework that will guide States in their public shareholdings in companies that have a particularly strong impact on the climate: energy, the automobile and aviation sectors, to put it simply. (...)

***My comment: In** order to contribute to the fight against global warming, the implementation of an ecological transition contract seems legitimate. But above all, it must be realistic. Several of the proposals made by the MEP are questionable.*

First of all, asking for investment in electric short-haul aircraft is inadmissible. I have had the opportunity to talk to specialists, be they engine manufacturers, aircraft manufacturers or scientists. They are unanimous: it will be impossible to fly an electric aircraft with more than 10 or 15 seats.

Secondly, with regard to alternative fuels, there are solutions, but they have a major drawback: the cost of these fuels will be two to three times higher than the cost of kerosene. The investments required for the mass production of these fuels are significant; manufacturers will only agree to invest if they are sure that they can sell their production. It will therefore be up to the States to set binding standards of use for all the world's airlines, unless European airlines are penalised.

Finally, claiming that energy, the automobile and aviation sectors have the greatest impact on the climate shows a lack of understanding of the subject. The Internet and maritime transport are also major consumers of energy.

The airlines are willing to do their part, as evidenced by the commitments made in the international CORSIA programme. But each of the sectors of activity responsible for global warming must make its contribution.

> KLM still bores MPs with tax evasion by KLM pilots

(source NOS, translated with Deepl) 18 April - **After the astonishment caused by the planned increase in the bonus of Pieter Elbers, the**

CEO of KLM, MPs are now very annoyed by KLM pilots who do not pay taxes in the Netherlands. (...)
Surveys by Nieuwsuur show that about one in ten KLM pilots (350 out of the 'more than three thousand' according to KLM) live abroad. This can be very advantageous for their tax returns. (...)
Members of the Dutch Labour Party (PvdA), the Socialist Party (SP) and the Dutch Labour Party (PvdD) believe that the cabinet should in any case hold the airline to account. Especially now that Minister Hoekstra is negotiating behind the scenes billions in state aid for the company, which is in crisis because of the coronavirus. **Even though pilots are allowed to do this according to the law and KLM is allowed to facilitate the practice, politicians do not find this morally acceptable.**

Today, **KLM cancelled the plan to pay a higher bonus to CEO Pieter Elbers**. (...)
The members of the House of Representatives would in any case like to impose conditions on any state aid to KLM. The issue of the pilots will be one of the many topics for discussion, but not the most important. **Some politicians are** also **demanding from KLM the sustainability or return of temporary workers who have been dismissed, in exchange for support**. (...)
The House of Representatives considers it inconceivable that pilots live abroad and thus avoid paying taxes. (...)

Imposing conditions on KLM is exactly what the government will do, says Minister Hoekstra. "On the one hand, I think it is true that companies that are really vital to the Dutch economy can come to us for help, measures and support. But the other side of the coin is that this has to be done in a way that is fair and reasonable to the taxpayer". (...)

My comment: *The management of the Air France-KLM group and Air France, as well as the members of the Board of Directors, have for some weeks now undertaken to reduce their remuneration in the same proportions as employees. The alignment of KLM's CEO with this decision has made it possible to put an end to the controversy that had arisen in the Netherlands following the announcement of a plan to increase his variable part.*

More importantly, support for KLM is the subject of heated discussions in the House of Representatives (the equivalent of the National Assembly in France). The Dutch government is a coalition government; it has to deal with parties that have differing views on the conditions accompanying the plan to support their national company.

The outcome of the debates will be closely observed by French decision-makers. Too great a disparity in the conditions imposed by the two states could be a source of tension within the Air France-KLM group. Furthermore, it would seem judicious for these conditions to be close to those imposed on the main European competitors so as not to distort competition.

> Air France plans to operate 30% of its flights from July onwards

(source BFM TV) 18 April - **Air France is working on a scenario for a very gradual resumption of its activities**. From Monday 11 May, the national airline will first of all increase the number of flights between Paris and the three French airports which it continues to serve in spite of the confinement: Nice, Toulouse and Marseille.

Other French cities should once again be served from the capital. Other French cities are expected to be served from the capital again. But it is above all from July onwards that the airline intends to move up a gear. **According to our information, its flight schedule, which is currently limited to less than 5% of its capacity, is to be increased to 30%. A scenario that presupposes the reopening of certain borders, both inside and outside the European Union.**

Today, Air France provides a minimum level of service in Europe with some fifteen European destinations with a few flights a week. Outside the EU, a very small part of its long-haul fleet continues to connect Paris to a few major cities (New York, Los Angeles, Montreal, Mexico City, Rio de Janeiro, Sao Paulo and Tokyo) as well as three cities in its African network (Dakar, Cotonou and Abidjan). A programme that allows the French to continue to repatriate.

Air France has also maintained a territorial continuity programme between mainland France and its overseas territories (Cayenne, Fort-de-France, Pointe-à-Pitre and Saint-Denis de La Réunion). Although load factors are very low, freight transport remains at high levels.

As a result of the closure of Orly airport at the end of March, all its flights to and from Paris are now operated from or to Roissy-Charles de Gaulle. (...)

My comment: *The government's latest announcements do not inspire optimism for the resumption of long-haul flights. When the resumption of short-haul flights does occur, it will be very gradual. The question will then arise as to when Orly airport will reopen.*

Will it be wise to reopen Orly for a few flights? While the director of Orly airport hopes for a reopening at the end of June, others recommend waiting until activity has risen "significantly". In which case, the flights usually operated from Orly would be deported to Roissy for a few weeks or even months.

> How Air France organizes the maintenance of its grounded aircraft

(source Europe1) 16 April - Air traffic has been at a virtual standstill since the start of containment due to coronavirus. Air France-KLM now only operates a few commercial flights (5% of normal traffic), notably for the repatriation of French citizens from abroad and then cargo flights to transport medical equipment. **Around 180 machines out of 224 have been shut down**. The airstrips have become car parks. In the meantime, even if the resumption of normal activity is still a long way off, the French aircraft manufacturer is preparing its planes. **Unusual maintenance operations are set up.**

More than 120 aircraft are grounded at Roissy Charles de Gaulle airport, with the rest divided between Orly and Toulouse," explains Géry Mortreux, Air France-KLM Deputy CEO in charge of maintenance. Its main mission: to protect aircraft that never stay idle for so long. "To protect the **aircraft from various phenomena, corrosion and the appearance of bacteria in the fuel**. For example, to protect the probe systems used by the pilots by applying protections on them to prevent insects from making their nests and, when operations are resumed, disturbing the information for the pilots".

Other essential operations: **moving the plane, starting the engine, but also ensuring that the wheels remain operational**. "We have to make the wheels turn, so either we move the plane, but that's not always possible in the parking position, or we use a jack, like in a car, to lift the landing gear and prevent the wheel casing from being damaged," adds Géry Mortreux.
The planes will remain on the ground for between one and three months. **Each aircraft will require 150 hours of maintenance. Around 1,000 Air France employees take turns to carry out this mission, i.e. eight times fewer staff than in normal times.**

> Air France-KLM: Flying Blue loyalty extended

(source Air Journal) 16 April - While the Covid-19 pandemic has decimated air transport, the frequent flyer programme of the Air France-

KLM group but also of the airlines Transavia, Aircalin, Kenya Airways and TAROM is making a gesture. "The challenges arising from the current situation are restricting your travel for reasons that are out of your control", the program points out in a statement detailing "the effects of this unprecedented situation on your Elite Flying Blue level". The **status of all Flying Blue Elite members** "whose qualification period ends between March 2020 and February 2021" **is extended for a further 12 months, while the expiration of Miles for all Explorer members is suspended** "from now until the end of the year 2020". Flying Blue continues to "closely monitor developments. (...)

Loyalty programmes of other airlines such as Aeroflot, American Airlines, Delta Airlines, Emirates, Qantas, Qatar Airways or United Airlines have also relaxed their policy in the face of the health crisis.

> Air France: no onboard distance rule according to France 2

(source: Air Journal) 19 April - In the 8 p.m. news on France 2 Saturday evening, **a reporter for the** channel who took the Air France Paris-Marseille flight during the day **pointed out the lack of any distance between the passengers on the plane**.
The flight was full, with passengers occupying all the seats. "On the Paris-Marseille I took, all the passengers were very surprised to see that the flight was full and no measures were taken to separate the passengers," said France 2 journalist Charlotte Gillard.
"What is disturbing is that during the entire journey at Roissy, the distances are respected. But as soon as we got on the plane, we were told that the flight was full!... **We were all taken aback, seated, huddled up next to each other, mostly without masks, and our faces 30 centimetres away from our neighbour's,**" she adds.
Furthermore, the authorities did not carry out any checks on the travel certificate when boarding at Roissy-CDG.
Apparté: no attestation check to verify the reasons for travel. Contacted by France 2, Air France ensures that all measures are taken "to limit interaction and contact" between passengers during flights as much as possible. When passenger numbers permit, distance between passengers is possible, thanks to the unoccupied middle seat. But on some flights, more frequented, such as the one between Paris and Marseille yesterday Saturday, this was not possible ...

My comment: *In this exceptional, unprecedented situation, it is everyone's responsibility to take the necessary precautions to avoid contracting or transmitting the virus.*

I'm taken aback by that reporter's remarks. It would appear that neither she nor any of the other passengers considered the situation dangerous to their health, since no one gave up the trip.

Since this event, Air France has published the following press release: "In the vast majority of cases, the load factor of our aircraft is 30 to 40%, which enables us to respect the rules of social distancing", Air France management indicated on Monday 20 April. "On a minority of aircraft, on which we cannot comply with these rules, we distribute masks at the entrance to the aircraft to our customers who do not have them. This measure, which we have been working on for several days, was introduced yesterday.

There is no precise limit at which masks are distributed. It depends in particular on the configuration of the aircraft and the composition of the passengers (families are not separated for example).

> Corsair wants to restart on June 12 (without its Boeing 747s), but will Orly be open?

(source La Tribune) 20 April - Stuck on the ground like the entire fleet since the end of March, **Corsair's Boeing 747s will no longer be flying**. Hoped for on 12 June, **the French airline will resume flights to the French West Indies and Reunion Island using only the airline's five Airbus A330s**. While they were initially scheduled to leave the fleet by April 2021, the three B747s will remain on the tarmac and will be sold. (...)

According to Pascal de Izaguirre, Corsair's CEO, the shutdown of the 747s would automatically switch the company's accounts to green in 2021. With the Covid-19 crisis, this automatic switchover is no longer relevant, even if it will greatly relieve the finances. Because, as for all airlines, the cessation of all flights is a very hard financial blow. (...)

The company nevertheless points out that it has no debt and ensures that it has a "very healthy" cash position. It was recapitalised last year by its shareholder TUI for 37 million euros when it sold 53% of its shareholding to Intro Aviation. At the beginning of the year, the sale of an A330 brought cash. The forthcoming sale of the 747, whose value comes mainly from the engines, will also bring additional cash. The management says it has received interesting offers.

Corsair is benefiting from the State's coverage of short-time working, which concerns all 1,200 employees, and has negotiated deferrals of aircraft lease payments, but **has so far been refused its requests for a State-guaranteed bank loan.** (...) **With equity capital of less than**

half the share capital, Corsair is not eligible. Pascal de Izaguirre is asking for the criteria to be relaxed. (...)

Corsair plans to resume its flights on 12 June to Fort-de-France on three weekly rotations, Pointe-à-Pitre five times a week and Saint-Denis de la Réunion four times a week. (...) The resumption of flights in June obviously presupposes the reopening of the southern Paris airport, which has been closed since 31 March.
ADP is not currently on this schedule. "On the basis of the exchanges we are conducting with several companies, the hypotheses converge, for the moment, for a reopening of Orly between mid and late June, or early July at the earliest," Régis Lacote, director of Orly airport, told La Tribune. (...)

My comment: *Corsair's situation is worrying, especially since the current shareholders do not seem inclined to make the effort necessary for the company to meet the criteria for obtaining loans.*

> Delta Airlines takes over 10 Airbus A350s cancelled by Latam

(source Actu-aero) 14 April - The American airline **Delta Airlines has taken over an order for 10 A350 wide-body** aircraft from the European aircraft manufacturer Airbus **initially intended for Latam Airlines**. (...)

Ownership of the 10 A350s in question (5 -900 and 5 -1000) **would thus have been transferred to the Delta Group when the latter acquired a** 20% stake in the **Latam Airlines Group in 2019**, for a sum of USD 1.9 billion. Airbus did not wish to comment on this information.

Latam currently operates 15 A350-900s under its main banner.

Airlines and Treasury Department reach agreement on coronavirus aid > Airlines and Treasury Department reach agreement on coronavirus aid

(source: The Hill) April 14 - **Treasury Secretary** Steven Mnuchin **said** he and the department "welcome the news" that **10 airlines** have agreed to participate in the program. The airlines **have applied for a portion of the $25 billion in wage subsidies** .
The initiative was created by the Third Coronavirus Recovery Bill and requires airlines to agree not to grant time off or reduce employee pay rates until September 30.

Alaska Airlines, Allegiant Air, American Airlines, Delta Airlines, Frontier Airlines, Hawaiian Airlines, JetBlue Airways, United Airlines, SkyWest Airlines and Southwest Airlines will all participate in the program, Mnuchin said

.

(...)

Two people familiar with the discussions told CNBC that the airlines could provide details of assistance as early as Tuesday. **The program will also require participants to repay 30 per cent of the grants,** sources told the news channel, despite objections to the structuring of the stimulus package into loans. (...)

My comment : *At first sight, the amount of subsidies granted to US airlines to pay part of their salaries may seem enormous. In reality, it concerns at least ten companies, which will have to reimburse 30% of the sums received.*

In concrete terms, this means that the US government will subsidize each of the ten companies on average to the tune of 1.75 billion (70% of 25 billion, i.e. 17.5 billion to be distributed).

To these sums will be added 25 billion in government-guaranteed loans, according to a mechanism similar to that adopted by the European Commission.

According to the information available to date, it is possible that the aid granted by the various EU countries to their airlines will be greater than that granted by the US Government.

> Austria wants to make any aid to Austrian Airlines conditional on environmental objectives

(source Le Journal de l'Aviation) 17 April - **The Lufthansa group is in the process of negotiating aid with the government of each of its companies in** order to have the means to get out of the crisis. Negotiations are progressing in all four countries, with Belgium having assured Brussels Airlines of its support, just as Switzerland has assured Swiss ...

In Austria, the government is also prepared to help its flagship company, but not without accountability to taxpayers: "This is an industry that has a special responsibility to help protect the climate, it makes sense...to use this situation to support this transformation," said (Green) Environment Minister Leonore Gewessler, quoted by Reuters. **This could take the form of a reduction in short-haul flights** (which was already underway with the elimination of domestic flights before the crisis) **or increased use of sustainable aviation fuel.**

Of course, other economic and employment conditions would also have to accompany any assistance. However, the amount envisaged for such aid was not communicated, Leonore Gewessler simply referring to "several hundred million euros". (...)

My comment: *Most European countries intend to make the granting of aid to airlines conditional. The European Commission would be well advised to set a common framework.*

> Norwegian puts its Swedish and Danish entities into bankruptcy: France spared

(source La Tribune) 20 April - **If the Norwegian Air Shuttle group survives the crisis affecting air transport, it will come out of it pretty thin**. Entering the crisis in the midst of restructuring to stem the heavy losses inherent in a colossal debt, the group, made up of several subsidiary companies established in different countries and bearing the same commercial brand (**Norwegian**), **announced on Monday the bankruptcy of four of its entities based in Sweden and Denmark**. As a result, **nearly 4,700 seagoing personnel who worked for its subsidiaries have been put out of work**. They are based in Sweden, Denmark, Finland, Spain, the United Kingdom and the United States. **The approximately 700 pilots and 1,300 crew members based this time in Norway, France and Italy are not affected**. At least for the time being. The activities from these three countries are in fact carried out by the group's Norwegian airline. It recently benefited from a 90% guarantee from the Norwegian State to be able to borrow up to NOK 3 billion (about €270 million) from banks. The Danish and Swedish states have refused the aid. (...)

In addition to the refusal to help its companies, the bankruptcy of the group's Swedish and Danish subsidiaries is justified by the management by the absence in Sweden and Denmark of effective short-time working arrangements, as is the case in France, for example, where the cost of short-time working is borne by the State. Norwegian employs more than 280 people in France, mainly pilots and cabin crew.

The fate of Europe's third largest low-cost group is now largely in the hands of its creditors: Norwegian has offered them a total or partial conversion of debts and financial commitments into shares. An extraordinary general meeting is due to vote on this on 4 May. The company is indebted to more than 3 billion euros.

My comment: *Norwegian's difficulties predate the health crisis. The measures envisaged to support the major airlines (the IAG group, the Lufthansa group, the Air France-KLM group) will not be sufficient to turn around the low-cost Norwegian airline.*

The general meeting on 4 May will be decisive for the future of the Scandinavian airline.

> Wizz Air cuts 1,000 jobs and reduces salaries

(source Boursier com) 14 April - **Wizz Air Holdings**, one of the heavyweights of low-cost air transport in Europe, **announces that its** underlying annual profit will be between 350 and 355 ME, a level in line with the company's latest forecast range. (...) The group nevertheless expects to record exceptional losses of between 70 and 80 ME in its fourth fiscal quarter, mainly due to losses on fuel hedges for the months of March to May. As a result, the **statutory net profit should be between 270 and 280 ME for the financial year ending March 2020**. Wizz Air, which currently operates 3% of its pre-crisis capacity, explains that it is not in a position to provide guidance for the year ending March 2021. In view of the current situation, and despite the numerous measures already in place, **management says it is "taking the difficult decision to lay off 1,000 people, which represents a 19% reduction in staff".** Additional measures will be taken in the short term as the **remuneration of the managing director, the board of directors and all senior managers will be reduced by 22%, while the salaries of pilots, cabin crew and office staff will be cut by an average of 14%**.
Nevertheless, the carrier confirms that it has a very strong balance sheet with €1.5 billion in cash at the end of March. As the markets are expected to normalise, Wizz Air also plans to maintain its plans to increase its capacity by 15% per year on average. In addition, the airline confirms that the launch of Wizz Air Abu Dhabi's operations is progressing according to the initial schedule.

My comment: *Wizz Air's decision to resort to layoffs is surprising. The Hungarian low-cost airline is the world's most cash-rich company, in terms of turnover of 2.5 billion euros, behind two Chinese companies.*

> Controversy over short-time working at easyJet in France

(source Le Figaro) 14 April - **Like most airlines in France, easyJet has not prevaricated in the face of the violence of the crisis. Since**

1 April, the king of low-cost flights has placed almost all of its 1,700 employees working at one of its seven French bases (Roissy, Orly, Nice) on **short-time working.** The government has taken over from the employer to pay employees what they are owed: at least 70% of their gross salary (84% of net salary) for stewards, flight attendants and pilots.
This is a major boost from the government, which will amount to several million euros per month. In the world of air transport, this public support is not to everyone's liking. **"It is not logical that a company which pays only part of its contributions and taxes and which does not pay corporate tax in France should benefit from the same system of public aid as others which pay everything,**" says Alain Battisti, president of the Fnam (National Federation of Merchant Aviation)
. (...)
"**EasyJet therefore pays UK corporation tax on its French operations,**" acknowledges Reginald Otten, easyJet's deputy director in France. It's a smart tax choice because the tax rate in the UK is lower than in France. Even if the scheme is perfectly legal, France is not getting any tax revenue. The second consequence of this arrangement, where the employer is English, is **that easyJet does not pay a tax, the "single contribution to vocational training and work-linked training", which, for example, makes it impossible for its employees based in France to use the CPF (personal training account).** At the end of 2014, we filed a complaint against easyJet for fraudulent financing of vocational training before the Paris Tribunal de Grande Instance," says Raphaël Caccia, Secretary General of the CFDT-transport aérien. The case, which has been referred to the Bobigny Tribunal de Grande Instance, has still not been tried. »

EasyJet can't hear it in this ear. All our employees based in France are under French contracts and we pay all social security contributions and employer's contributions that are due in France," says Reginald Otten. Why shouldn't they benefit from this short-time working scheme designed to protect French jobs? **"The government, which could have made another choice, finally rallied to this option**. No need to pay corporation tax in France to be eligible for the state's coverage of short-time working. It specified this in the order of 27 March detailing the conditions for implementing the partial activity. (...)

My comment: It is *difficult to accept that a foreign company that does not pay taxes in France can benefit from non-refundable grants. It would have made sense if it were legally possible to provide for partial reimbursement.*

> Gulf companies take the lead in passenger testing

(source Le Journal de l'Aviation) 16 April - As airlines try to coordinate the terms of resumption of their services with governments and health authorities at the regional level with IATA, Etihad and Emirates have taken the lead in identifying passengers potentially affected by covid-19. (...)

Emirates introduced screening tests (...) on 15 April, **subjecting all passengers bound for Tunis to a blood test before boarding**. This was carried out by the Dubai Health Authority in the check-in area of Terminal 3. The test results were available within ten minutes. (...) As things stand at present, the extension of testing to passengers on other Emirates flights is not expected to pose any major difficulties as operations are very limited. (...) It **remains to be seen whether this will be feasible as services are expanded.**

For its part, **Etihad will test a new technology that allows to perform diagnostics on self-service equipment located in airports**. (...) They can monitor the temperature, pulse and heart rate of passengers at all check-in points in a terminal, from check-in kiosks to screening stations or border police stations. If illness is suspected, the system can suspend the check-in or baggage drop-off process and alert qualified airport staff to take charge of the passenger. (...)
"We believe that this is another step to ensure that future outbreaks do not have the same devastating effect on the global aviation industry as they do now
. (...)

My comment: *Temperature controls on embarkation or disembarkation were already effective in some countries before the start of the health crisis. Their generalisation could have a beneficial effect in limiting the spread of other viruses such as influenza.*

> South African Airways throws in the towel

(source La Quotidienne) April 20 - **South Africa's national airline has stopped flying after 86 years of history**. The government has taken this decision by refusing it an umpteenth contribution of money with the direct consequence that all the company's employees will be fired at the end of April.

South African Airways had been losing money since 2008. (...)
Employees will receive one month's salary for each year they are

present, assets permitting. The company's most valuable assets are flight rights and slots, including those at Heathrow and New York airports.
After a waltz of managers, unapproved annual accounts and impossible day-to-day management, the company, in 2019, changed its legal form to be able to operate and claimed public money to avoid bankruptcy. Faced with the general refusal, the two current directors decided to close the company.
Paradoxically, **the South African Parliament welcomed this closure,** following the refusal of the Department of Public Enterprises to hand over money, and stated in a note that "South African Airways could not continue to ask the government for bailouts while refusing to respond to the financial compensation required".

South Africa is now one of the few countries in Africa that does not have a national airline on its soil.

> Boeing: 98,737 MAX cancelled by lessors

(source Air Journal) April 20 - **After Avolon (**75 MAX 8 and MAX 10), **two other leasing companies have in turn cancelled orders for the reengined single-aisle aircraft**: GECAS, a subsidiary of **General Electric, announced Friday the cancellation of 69,737 MAX,** without specifying the versions concerned. (...)
In China, it was **CDB** (China Development Bank Financial Leasing) which **announced** this morning the **cancellation of an order for 29,737 MAX**; among the 70 others still to be delivered, all the MAX 10 will be converted into MAX 8, the leasing company said. (...)
Boeing last week made official the cancellations of 150 MAX orders in March, including those of Avolon and 34 by Brazilian low-cost carrier GOL, plus five by Czech airline SmartWings; the other MAX cancellations were not awarded. (...)

My comment: *The health crisis is aggravating Boeing's situation. Customer airlines are anticipating a slow return to normal, expected in 2024 or 2025. Between now and then, the world fleet will be in a situation of overcapacity.*

Order cancellations for the B737 Max make its future even more uncertain. Airbus could benefit from this thanks to its two complementary aircraft families, the A320 Neo and the A220.

> 3,000 Airbus employees placed on short-time working in France

(source BFMTV with AFP) April 17 - **Airbus decided** Friday to implement **short-time working measures for 3,000 French employees in its commercial aircraft division because of** the health crisis and a reduction in production, the aircraft manufacturer was told. (...)

The European aircraft manufacturer has a total of 48,000 employees in France, including those working for its Helicopter, Defense and Space branches.

The people concerned will be moving to a short-time working scheme which allows the employee to be compensated by the State up to 70% of the gross salary and 84% of the net salary. (...) But "we have signed **an agreement** that **allows each employee to be paid 92% of his net salary, including team bonuses,** over the period of partial activity and regardless of his category". (...)

My comment: *According to the International Air Transport Association (IATA), each job at an airline generates 24 induced jobs.*

When the activity of French airlines drops, a whole section of the French economy falters. Upstream, it is the aircraft and engine manufacturers, many of whom are based in the Toulouse region. Downstream, it is all the tourist activity that suffers.

> In Tarbes, Tarmac Aerosave welcomes more and more planes grounded by the Coronavirus pandemic

(source France3-régions) April 19 - **Tarmac Aerosave, the** European leader in aeronautical services, was **launched in Azereix, near Tarbes-Lourdes airport in the** Hautes-Pyrénées. In addition to this historic site, which is also its headquarters, the group has a site in Toulouse, at Francazal airport, and one in Spain, at Terruel. It currently has 350 employees.

Its activity consists of storing aircraft (known as "parking"), **but also maintenance, dismantling and recycling**. The specificity of the company is precisely to group together all these services. "We are not an aircraft cemetery," says Alain Leboucher, Tarmac Aerosave's Sales Director, "we are presenting an aircraft transition model. We recycle up to 90% of an aircraft".

The group has been growing steadily since its creation and has recently seen its business grow. The **coronavirus pandemic has grounded no less than 95% of the commercial aircraft fleet. In two weeks, 70 aircraft** (747s, A380s, A340s, A360s, among others) have **arrived at Tarmac's three sites**. 250 are currently accommodated, compared with the usual maximum of 150-200.

The companies have asked us to stock their aircraft. (...) These airlines include Air France, British Airways, Lufthansa, but Asian and Middle Eastern airlines have also made capacity requests to Tarmac, as have aircraft rental companies. (...)
It must be said that **15,000 commercial aircraft are currently grounded**. And recovery, even in the medium term, is likely to be difficult.
Tarmac's business continues, with some short-time working and a lot of teleworking for the administrative and commercial parts. As for the core business, it can be carried out (almost) normally and with respect for barrier gestures, because the size of the site makes it possible to work at a distance from each other.

My comment: *Tarbes airport is not the only one to host planes. Châteauroux airport, which has one of the longest runways in France, hosts almost all the A380s of British Airways.*

> Lisbon at 87 euros round trip, Venice at 69 euros... the incredible (but risky) business of containment

(source Capital) April 15 - **Should we organize our summer holidays during confinement?** Without visibility on the lifting of traffic restrictions, the question may seem premature. However, some airlines do not hesitate to offer discounted deals during the summer months: a weekend in Marrakech from Paris from 11 to 13 July is thus priced at 99 euros return at Ryanair, an unbeatable rate for the summer period.
The same is true of other round-trip offers from Paris, such as this flight to Venice from 25 July to 5 August at 69 euros with easyJet and to Lisbon at 87 euros with Ryanair from 18 to 24 July. With WizzAir, it is also possible to travel to Budapest for 30 euros return from 2 to 8 July and to Madrid for 73 euros from 25 to 27 July with Air Europa. **These fares are two to three times cheaper than the average prices found over the same period by Kayak's "travel trend" tool, a flight comparator**.
But **while the savings seem substantial, betting on the lifting of travel restrictions as early as July seems risky for travellers**. "I advise French people to be very careful when preparing their trips [this summer]," Jean-Baptiste Djebbari, Secretary of State for Transport, warned on France Info. "A clever person who knows how to describe the range of transport on offer and who knows exactly when we are going to deconflict", he warned.
All the more so as in the event of cancellation of the flight by the airline company, the plane ticket will not be systematically refunded. Carriers

are currently applying decisions on a case-by-case basis, and prefer to postpone trips in the form of vouchers. Another point to watch out for before being able to travel concerns the possibility for French people to travel abroad. Spain, Italy, Morocco and Hungary prohibit their access to nationals of other countries. (...)

My comment: *It is understandable that companies are trying to replenish some of their cash flow by selling cheap air tickets. But I find it unacceptable that they should be allowed to charge less than the amount of taxes and charges.*

When will European governments tackle this plague?

Stock market press review ...

> AIR FRANCE-KLM: numerous changes of recommendation

(source Zonebourse) April 16 - Ruxandra Haradau-Doser from **Kepler Chevreux reviews her opinion and switches from buy to sell on** the file. **The target price is revised downwards to 2.10 EUR against 12.00 EUR** previously.

(source: AOF) 16 April - **Deutsche Bank downgraded its recommendation to keep** Air France-KLM shares for **sale,** while cutting **its price target from EUR 10.40 to EUR 3.50,** believing that a recapitalization is necessary in the current crisis.

(source: CercleFinance) April 15 - Following a conference call with the group, **Oddo** indicates that the company anticipates a very gradual recovery with only 30 to 40% of the flight programme completed in July, 50% in August and September and a maximum of 60 to 70% over the following 12 months thanks to the reopening of borders beyond Europe. The return to pre-crisis levels is not expected for more than 2 years. (...)
'Recapitalisation, which would dilute current shareholders, therefore remains an option on the table. An opportunity to accelerate the transformation. It could have a strong dilutive effect for the current shareholder but we think that the presence of Delta and China Eastern in the capital may limit its use' adds Oddo.
Following this information, the research firm **confirms its neutral opinion on the value and price target of 6.5 E.**

My comment: *For the past three weeks, with the ban on short selling of* *shares listed on the Paris stock exchange, we have seen a relative stabilisation in the Air France-KLM share price.*

The downgrades in analysts' recommendations, who are waiting for concrete measures (loans or other) to be announced, have caused a significant fall in the Air France-KLM group's share price.

> US crude collapses, undermined by falling demand and saturated reserves

(source AFP) April 20 - **The US** West Texas Intermediate (WTI) **barrel** for delivery in May, which is the last day of quotation, **fell** by about 38% to 11**.04 dollars** around 11:55 GMT, **its lowest level since 1998**. For comparison, it was worth about $114 in 2011. For
its part, **a barrel of North Sea Brent, the European benchmark, was less affected, falling 6.05% to $26.38 at** around 12:05 GMT. (...)
On the supply side, the market was flooded with low-cost oil after Saudi Arabia, a leading member of the Organisation of Petroleum Exporting Countries (Opep), launched a price war with Russia to gain maximum market share.
The two countries ended their dispute earlier this month by agreeing, along with other countries, to cut production by nearly 10 million barrels a day to boost markets affected by the virus. But **prices continued to plummet as it became clear that the promised cuts would not be enough to offset the massive fall in demand**. (...)

"The United States, as a landlocked market, has the biggest storage problems," said Jasper Lawler, an analyst for London Capital Group. "**Demand is so far below supply that reserves may already have reached 70% to 80% of their capacity,**" he added. (...)

My comment: *There is a direct link between the level of industrial activity and oil consumption. The current situation demonstrates this once again.*

The bonus article...

> European Governments Weigh If It's Time to Let Some Airlines Disappear

(source Skift, translated with Deepl) April 13 - Many European airlines have spent much of the last two decades asking governments to leave the airline industry. Today, many are asking for help, and most will get it,

although not all are worth saving.
The situation is different from that in the United States. The U.S. government is bailing out the airlines because the country needs a strong transportation system, but if one carrier does not make it, life will go on. Other airlines, perhaps even new ones, will fill the gap.
In Europe, discussions about rescue are more tense. In this crisis, governments are not always thinking about the capacity that markets need, but rather about national pride. Whatever the market conditions, legislators do not necessarily want national airlines to go bankrupt, for political, nostalgic and even national security reasons.
In the coming weeks, policy-makers will be relying on the state aid rules that allow them to help national carriers in times of crisis. Some airlines will get loans, while others could benefit from the ultimate economy, namely renationalisation.
As in the US, many large airlines deserve help. In recent years, the International Airlines Group, which owns British Airways, and the Lufthansa Group have got rid of a bloated past, although they can still operate more brands than they need. Air France-KLM is lagging behind, but is improving, and deserves help, as do Ryanair and EasyJet, two mastodons of pre-Covid 19 Europe who set standards for low-cost airlines everywhere.
What about the rest? In the midst of the chaos, some European countries could give a boost to airlines that probably do not need to exist. Italy's Alitalia is at the top of the list, but there are others. Does Scandinavia need two airlines? Does Austria need one? What about Belgium? What about Portugal?
Consider that the European Union is a single market and that an airline from one Member State can fly any route from or within another Member State. If policy-makers are looking for an air service, they can induce any EU-flagged airline to fly. But this may not matter today, as many governments are on the verge of rescuing airlines flying their flag.
"State involvement will be important," said Samuel Engel, Executive Vice President and Head of the Aviation Group of the consulting firm ICF. "They are less likely to resemble the national carriers of the pre-privatisation era. But it will have largely the same effects. Governments could be held liable for their debts, or justify a level of service".
This is an interesting reversal of recent trends," said Engel, who has advised airlines on how to privatize to avoid government interference. "We are in an extraordinary situation, aren't we?" he said. "I don't think anybody thought governments would have to go back."
HOW ARE THESE AIRLINES STILL OPERATING?
With five powerful airline groups, Europe would probably resemble the United States, where six carriers control the vast majority of market

share. Travellers may not like this arrangement - some complain about the lack of competition - but it has served consumers well for much of the last decade.

However, this is unlikely to happen.

Just look at Alitalia. It has been in a mess for years, and every time it seems to be on the verge of liquidation, the Italian Government, or a branch of the Italian Government, intervenes. The EU limits the amount of state aid that airlines can receive, so the insiders thought the company would eventually disappear. But the Italian government decided not to let a good crisis go to waste, so it renationalised Alitalia.

"The funny thing is that before the crisis there were a lot of bankruptcies in Europe and since the crisis there is no more insolvency," said Martin Gauss, CEO of Air Baltic, a Latvian state-owned airline.

Other airlines are experiencing similar situations. Norwegian Air was in trouble before the new Coronavirus pandemic, and could have failed in a typical recession. Today, the airline has appealed to the Norwegian government, accepting about USD 290 million in guarantees last month, although it said it needs much more from private markets.

This is an interesting juxtaposition for an airline that two years ago opposed government interference. After Norway sold its shares in its national airline, Scandinavian Airlines, Norwegian CEO Bjorn Kjos told Skift that the government had made the right decision.

"Some countries have come to their senses and are trying to get rid of these old airlines," said Kjos, who retired last year. "You don't need them. It's just a waste. You should concentrate on totally different things".

Today, Scandinavian Airlines, or SAS, is not in much better shape. It has long been undersized and, as the national carrier of three countries - Norway, Sweden and Denmark - its limited resources have been spread over three hubs instead of one. SAS also lacks a strong partner for a transatlantic joint venture, so it is less efficient on US routes.

"You wouldn't invent an airline owned by one government, let alone two or three governments," said John Strickland, a UK-based air transport consultant.

TAP Air Portugal is another airline in a similar situation. It has built up a decent franchise with flights to the US and Brazil, but does not have the scale of the big groups. The government already owns half of TAP, but may need to provide additional support.

Are these airlines going to disappear? Norway could, because it does not have the rich history of others and is already in trouble.

The others are more likely to survive, although Mr Strickland asked whether governments could give up if the climate worsens. In the worst case, more governments might agree to run an airline - Poland, Romania, Finland and Latvia already control their national carriers - but

others might find that too much, given the number of other parts of their economies that might need help.
"There is national pride, and if we add to that the unquantifiable effect of populist governments, it makes it even more difficult," Strickland said. "But we have never faced a crisis like this. There is so much information about how it is going to happen".
GROUP AIRLINES HAVE THEIR OWN PROBLEMSIn
general, the five large European groups
have
significant advantages over independent airlines. But some groups also have problems.
The weakest of them, Air France-KLM, was at risk before the crisis, with its CEO Ben Smith wondering how to compete with low-cost carriers on short-haul routes and high-speed trains on domestic routes. Given the importance of the airline to France and the Netherlands - both nations own part of Air France-KLM - airlines should be able to do this, but it could be costly for each nation.
"It is now clearer than ever that the support of our Dutch and French governments is needed to meet our cash flow needs and allow us to continue operations once the crisis is over," Smith said last week.
There are more important issues concerning certain brands within the Lufthansa Group. Lufthansa, the German airline, is probably the most successful carrier in continental Europe, and its government will help. Swiss International Air Lines, an airline of the Lufthansa Group, is also a strong carrier with a successful hub in Zurich.
But the Lufthansa Group also owns Brussels Airlines and Austrian Airlines, and each of them is at risk.
For the Austrian people and politicians, the airline remains a patriotic symbol that carries the national flag around the world and provides vital air connections. But Austrian, founded in 1957, is no longer a real' airline, as Ryanair, which has its own Austrian branch, made clear after the government told it that it could inject up to EUR 800 million into it.
"We don't believe that Lufthansa should receive state aid from Austrian taxpayers, just as we don't believe that Ryanair should receive state aid from Austrian taxpayers," said Andreas Gruber, a Ryanair group executive, according to Reuters. Indeed, Gruber said, the Austrians would be helping a German company.
Brussels Airlines has been a bad pupil of the Lufthansa group and could probably disappear without harming consumers. Lufthansa could probably take over the company's most profitable routes. But the Belgian Government could still help.
ARE ALL NATIONAL CARRIERS BAD?
If the aim is to transport people from point A to point B, perhaps not every country needs an airline. If the demand exists, one carrier will

meet it, even if the airline is not based in that country.
Ryanair and Wizzair have made a fortune by filling the gaps on short routes, and one day Austrians might get used to using Lufthansa to fly to New York or Los Angeles rather than the national airline.
But even in 2020, there are still arguments as to why a country needs a national airline. In the past month, many national airlines have been reoriented by governments to provide medical and repatriation flights. Governments could outsource these flights, but there may be some comfort in sending the national airline abroad.
"We see governments around the world taking drastic and swift action to support their people," Engel said.

End of press review

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

The Air France-KLM share is at 4.763 euros at the close of trading on Monday 20 April. It is down -9.72%. 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 down sharply, from 8.97 euros to 6.93 euros. Analysts are concerned about the uncertainty regarding the aid to be granted to the Air France-KLM group. You can find the details of the analysts' consensus on my blog.

Brent crude oil (North Sea) **is at $26 a barrel, down $6 this week.** When the coronavirus outbreak started, it was $69. A week ago, experts estimated that, following the agreement between Opep and Russia, its price should rise. The reduction in supply is proving insufficient. Production is still higher than the (low) demand.

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