

Air France: Passengers can book a ticket without fear



I Letter from the Director Air France-KLM

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Editorial

Dear readers

This week, you'll find a special letter for two reasons:

*. The first reason lies in the unusual number of articles from the Dutch press: five, including the latest one (**costly and lengthy Air France KLM Separation**) published on Monday 8 June at 8 p.m.*

. The second reason is related to the bonus article at the end of the press review. This is an op-ed published by several dozen CFDT employee directors. Having co-signed it, I felt it necessary to share it with you in all transparency.

Let us continue to respect the "barrier" measures.

Happy reading François

Monday's Press Review

> **Air France: Travellers can book a ticket without fear**

(source Le Parisien) 5 June - Air France CEO Anne Rigail clarifies the timetable for the gradual resumption of flights and the commercial

conditions for travellers as the Covid-19 epidemic is now under control, according to the scientific council.

How many destinations will you be offering this summer?

ANNE RIGAIL. In June, the resumption will be very gradual. We were at 3% of traffic in April and 5% at the end of May. **We are targeting an average offer of 15% at the end of June to more than 100 destinations.** Priority will be given to the domestic network where it is now possible to travel. In addition to Marseille, Nice and Toulouse, we are reopening, for example, Biarritz, Brest, Montpellier and even routes from Lyon. There is also Corsica since there are no longer any travel restrictions on the island. Frequencies to overseas destinations will also increase. In Europe, we are preparing for a reopening of the borders for June 15. In particular towards Southern Europe, Greece, Spain, Portugal. *And on the other continents?*

We are waiting for decisions from the authorities to resume. But we are obliged to anticipate. There will be 35 flights a week to Algeria at the end of July and several dozen to Morocco, Tunisia and West Africa. For cities in America and Asia, it will be even more progressive. In the end, **in July, 35% of our usual flight schedule will be flown and 40% in August to 137 reopened destinations. The main thing is to find our customers again, and we are very happy about that.**

You are selling these destinations, without any assurance that people will be able to get there because of the health conditions?

That has been the complexity since the beginning of the crisis. We have therefore adapted our commercial policy. Since May 15, if the customer cannot leave because of health conditions, he can either change his flight, get a refund or obtain a credit note with a 15% discount for a later trip. Our travellers can thus book a ticket without any fear.

And for those who had booked before May 15? You offer credit notes and still refuse reimbursement, contrary to European regulations?

Refunding all our customers immediately would have been untenable. 30,000 cancellations in April alone. Clients who booked before the crisis have obtained a 15% bonus credit note or the assurance of a later refund, we are thinking of changing this. But it's too early to say. In any case, this European regulation must evolve. When there is such a crisis, it undermines the viability of companies.

Will there be tariff offers for this recovery?

I do not think that a policy of very low fares is sustainable for air transport. Since the government's announcements, demand has increased, but load factors remain low. They are 55% at the moment, compared to the usual average of 85%.

Faced with the health crisis, with no social distancing in the air, how do you travel on Air France?

Wearing a mask is compulsory on board the aircraft. Not cloth masks, only surgical masks. Body temperature is taken before boarding. If the temperature is above 38°C, the passenger may not board the plane. His trip can be postponed at no charge. Finally, there is no catering on flights of less than 2h30. But there is no restriction on cabin luggage. *Many environmental associations complain about the weakness of the environmental measures taken by Air France in return for a 7 billion euro loan from the State .*

Reducing CO2 emissions per passenger-kilometre by 50% between 2005 and 2030 is, however, a strong measure. It cannot be done in a snap of the fingers. It implies renewing the fleet with more modern and therefore less polluting aircraft. In an economic context where we have lost 95% of our turnover for three months, we are nevertheless maintaining our investments in new aircraft. In particular for 38 Airbus A350s and 60 Airbus A220s, representing more than a billion euros per year. **We are also committed to reducing our CO2 emissions by 50% in absolute terms on the domestic network by 2024. To achieve this, we are also going to close certain domestic routes and reduce certain frequencies.** In

fact, the government has asked to stop flights of less than two and a half hours when there is a TGV line. The associations are asking for five hours...

It is up to customers and citizens to decide according to their needs. But it doesn't suit everyone. Just for the flights of less than two and a half hours cancelled, I have a lot of customers who write to me to tell me that it is not playable on such and such a destination.

Ben Smith has announced a 40% reduction in domestic flights. Elected representatives are complaining about the abandonment of air links between Paris and the regional capitals...

Air France's DNA is France, there's no question of abandoning our domestic network. We will remain anchored in France. But this network loses 200 million euros a year. There are too many loss-making routes. Our vocation is not to fly empty planes. Very clearly, the destinations that will be easily accessible by TGV, especially those less than 2h30 away, will probably be stopped. **We are considering which route should be operated by Air France or by our subsidiaries Hop and Transavia.** The restructuring of the domestic network and Air France's transformation will be presented at the end of June-early July. In the coming weeks we will be going to see local elected

representatives to discuss this.

Could low-cost Transavia resume Paris-Toulouse or Paris-Marseille flights?

The question of Transavia's role on the domestic network is not a taboo subject. We have ongoing negotiations with the pilots.

There is the TGV-Air offer, which combines train and plane. Are you working on its development to meet the government's demand?

Yes, **we have started discussions with the SNCF**. This offer has been around for a long time and concerns about fifteen cities such as Angers, Avignon, Rennes and Strasbourg. It needs to be improved. You should be able to drop off your luggage as soon as you arrive at Roissy station. Timetables should also be better adapted to avoid interminable waits. **Above all**, however, there needs to be **a clear legal framework. The SNCF is a competitor, we are not allowed to discuss fares or timetables.**

There is talk of 6,000 to 10,000 job cuts at Air France. Can you confirm that?

It's too early to make any figures. Again, we will communicate at the end of June. This crisis is hard. It is going to be long-lasting. State loans come with environmental conditions but also on competitiveness.

Didn't the government ask you to preserve jobs?

We are designing this reconstruction plan with a view to preserving as many of the group's 45,000 jobs as possible. At the same time, the government has asked us for a strong turnaround in competitiveness. This is clearly part of the conditions associated with the loans. We must therefore find the crest line to meet these two ambitions.

Is the collective performance agreement, particularly with wage cuts, one of the tools you could use?

A temporary pay cut is not the answer to all our problems. Instead, we will favour voluntary departures. Our age pyramid is quite high. This allows us to have access to early departure schemes.

My comment: *Air France's Chief Executive Officer outlines her project for the national airline [here](#).*

She believes she will be able to present her plan at the end of June - beginning of July, presumably awaiting the outcome of negotiations with

the pilots on Transavia's role on the domestic network.

> **Pau, symbol of the sling against the reduction in Air France's offer**

(source Les Echos) 4 June - **The announced reduction in Air France's domestic flights remains a very sensitive issue in the regions primarily concerned. The Mayor of Pau, François Bayrou, has once again demonstrated this by calling on ASL Airlines France, a subsidiary of the Irish group of the same name, to compensate for the theoretically temporary reduction in Air France flights between his city and Paris. From**

10 June, ASL will operate one flight per day, from Monday to Friday, between Pau and Paris-CDG, in addition to the two flights per week operated by Air France, on Mondays and Fridays. ASL Airlines, whose historical activity is the transport of mail, will use one of its Boeing 737s equipped with 147 seats. The fares are the same as those of Air France, i.e. from 197 euros per round trip.

Since the announcement at the end of May by Air France of a very partial resumption of flights to Pau, François Bayrou, in the midst of the election campaign for the second round of municipal elections, had multiplied his attacks on the airline. "Air France takes us for rednecks", he said on 29 May in an interview with "La République des Pyrénées" (...).

However, Air France is defending itself against wanting to abandon Pau airport, which saw some 600,000 passengers pass through last year and which benefits from a large flow of business customers linked to the presence of Total, Safran and a few other major companies in the region. In Pau, as elsewhere, the resumption of traffic will be gradual as of this month, it is explained, in line with the resumption of long-haul traffic at Roissy-CDG. The summer flight schedule, which will be unveiled "next week", should already result in an increase in flights. From

this perspective, **the use of ASL may only be very temporary.** All the more so as in Pau, some people are wondering about "the cost of this political coup". The agreement with ASL would indeed have been signed without being the subject of a deliberation by the town council. And if, as François Bayrou asserts, no subsidy has been allocated to ASL, whose flights would be amortized "from 100 seats sold", the local authority has nevertheless committed itself to covering any operating losses, up to 200,000 euros.

My comment: *Reviving an airline that has been idle for three months is complex. Aircraft need to be overhauled, some pilots have to do*

simulator sessions. Airports must be operational, which is the case of Roissy but not Orly, which will only open at the end of June.

The size of the flight schedule depends on its constraints but, above all, it will depend on the number of passengers wishing to travel.

> **Ben Smith vergroot macht over Air France, volgt KLM? (Ben Smith vergroot macht over Air France, will KLM follow?)**

(source Zakenreis, translated with deepl.com) 4 June - Ben Smith, CEO of Air France-KLM, takes over at a fast and almost silent pace. The position of Air France's Director of Communications has been abolished and the holding company is in charge of Air France's commercial policy. Is KLM expecting the same fate?

"Air France and KLM will be relegated to the rank of operational carriers and their CEOs will be allowed to conduct their policies like Smith's lackeys," says a KLM insider (...). "You get a holding company with a water head. It's like a modern version of the centralizing reforms introduced by Louis XIV in feudal France. I fear the worst. Maybe it's time for a revolution," the source said.

In the midst of the coronavirus crisis, **Smith recently made major changes in the way Air France is run. This began in mid-May with the appointment of Angus Clarke**, a confidant of Smith, as **Air France's Chief Commercial Officer (CCO)**. This is a new position at Air France, making Clarke responsible for all the airline's commercial activities, including network planning, fleet and customer experience. Officially, Mr. Clarke is expected to report formally, as Chief Executive Officer, to Air France's Chief Executive Officer, Anne Rigail. Wasn't it the fact that he also remains as Executive Vice President of Strategy for the holding company. In this capacity, Clarke is a member of the Group Executive Committee (GEC) of Air France-KLM. Among the 12 most senior executives of the alliance are also Pieter Elbers, the head of KLM, and Anne Rigail, the CEO of Air France.

A similar interweaving of functions within the holding company and the individual airlines has now taken place in the area of sustainability. A quarter of employees have been "transferred" within the group, without consulting Air France's head of sustainable development, according to an insider against business travel (...).

The French newspaper La Tribune announced last week the dismantling of Air France's communication department (...). From now on, the holding company will maintain its own contacts with the press. To this end, the three communication components - internal, external and press - will be housed in different locations (...).

In short: Air France no longer has its own communication and has been silenced. If the French airline does not agree with the organizational changes imposed on it, it cannot under any circumstances communicate with the press itself.

In one month, the Air France-KLM holding company has therefore taken on three important tasks: commercial policy, sustainability policy and communication with the press. It seems that Smith is taking advantage of the coronavirus crisis to almost silently increase his grip on Air France and thus strengthen his power within the holding company.

The big question is when it will be KLM's turn and whether essential functions will be taken over by the holding company. As soon as a new organizational structure is in place at Air France, it seems "logical" that the same changes will be implemented at KLM, in order to increase synergy within the group.

CEO Ben Smith has never made a secret of the fact that he would like to see greater cohesion within Air France-KLM and that more decisions should be taken at group level. At the beginning of 2019, he took on Pieter Elbers. Not because of KLM's results, which are systematically much better than those of sister airline Air France, but because of Mr Elbers' relatively independent career, which has jeopardized his renewal. In the end, Elbers' contract was extended for four years, partly thanks to pressure from the Dutch Government and the massive support of KLM staff.

The aviation industry is currently facing the biggest crisis in its history. KLM and Air France can only survive with the support of the government.

Mr. Elbers recently stressed that both sides of the operation must focus on recovering the market after the crisis. He does not consider major organisational changes to be appropriate at the moment. He finds Smith on his way back. He is moving towards a centralized holding company with two operating carriers, whose two CEOs only carry out his duties.

My comment: Once again, the Dutch press presents a biased view of the Air France-KLM Group. It suggests that Air France and KLM managers are not involved in decision-making.

Yet within the Air France-KLM group there is a CEO Committee "responsible for determining the strategic direction of all airlines and business units of the Group".

This Committee is made up of Ben Smith, Frédéric Gagey (Executive

Vice President Economy and Finance of Air France-KLM), Anne Rigail and Pieter Elbers (who were appointed Executive Vice Presidents of the Group in February 2019). source: Corporate Governance Report page 116].

> **Hoekstra à Paris for a conversation avec Air France-KLM (Hoekstra à Paris for a conversation avec Air France-KLM)**

(source De Telegraaf, translated with deepl com) 4 June - **Ministers Wopke Hoekstra (Finance) and Cora van Nieuwenhuizen (Infrastructure) travelled to Paris on Thursday for a meeting with the management of Air France-KLM (...).**

The discussion focused on the details of the final support package for Air France KLM. The Netherlands is in talks with the banks about loans with state guarantees of €2-4 billion to keep KLM in the air (...). Managing Director Ben Smith is working on a restructuring plan, which could possibly be to the detriment of KLM's services and Schiphol's routes. Insiders report to Telegraaf that KLM CEO Pieter Elbers is hardly ever involved in decisions in Paris. Smith wants to further centralise departments such as IT, fleet and branding (...). "Is Hoekstra still in talks with KLM, or is the negotiating table now in Paris? The business plan requested from the Dutch banks comes next from Paris. It's easy to guess what will happen with the technical department, Transavia and the group at Schiphol," aviation expert Ruud Jansen said Thursday evening (...).

The firm negotiated for weeks on the exact form and cost of the final support package. There's still no white smoke. **Negotiations with the banks and the airline are still ongoing, and the European Commission has yet to approve the state aid. Time is running out, Hoekstra said earlier, expecting KLM's cash position to be empty by mid-June without support.**

My comment: *Following the entry of the Dutch State into the capital of Air France-KLM, a working committee was set up. It was in charge of examining the following points in particular:*

- . The holdings of the two States in Air France-KLM and the capital structure of KLM and Air France*
- . The rules of governance and compliance by the two States with rules of good conduct*
- . The composition of the Group's Board of Directors*

. Defending the interests of the Paris-Charles de Gaulle and Schiphol hubs

. The agreements of 16 October 2003 between Air France, KLM and the Dutch State .

Will the discussions related to the support measures of the two companies bring this work to a conclusion?

> **In July the bomb bursts at KLM, the unions say (En juillet, la bombe explose à KLM, selon les syndicats)**

(source Financieele Dagblad, translated with deepl com) 4 June - **KLM will announce its plans for a major reorganization during the month of July.** The approximately 30,000 employees of the struggling airline will then be informed of the number of forced redundancies and changes in employment conditions (...).

KLM is in talks with the unions on a redundancy plan (...). Managing Director Pieter Elbers has not yet mentioned any figures for (small) KLM (...).

This company has suffered a demented blow", says **works council chairman Dario Fucci**. He **says he still has no idea what the management is planning. But we want to participate as a board in the coming weeks. If we consult with management now, we can influence the reorganisation plan.**

Under no circumstances will the works council be involved in a new centralization of the Air France-KLM group as a remedy to get out of the crisis. President Fucci is convinced that "all attention and energy must be focused on KLM".

Finance Minister Wopke Hoekstra said that the emergency aid promised to KLM of €2-4 billion is subject to certain conditions. The **strongest shoulders should carry the heaviest burden,**" he said. The minister referred mainly to the pilots and management. On the pilots' side, he has remained silent so far. No salary sacrifices have been made (...).

The cabin crew is worried about how KLM will say goodbye to the dismissed employees. The **VNC, the cabin crew association, wants the principle of last in, first out (lifo) to apply to redundancies.**

Employees who have only been in service for a short time will be the first to be dismissed. Older employees will skip the dance.

KLM wants nothing to do with this system. Management wants (...). a fixed percentage of each age group to be declared redundant.

This method of cheese cutting saves much more money and also prevents the airline from ageing further (...).

But it is doubtful whether the union can keep KLM out of this

arrangement. The union made a mistake. The new collective labour agreement for cabin crew does not stipulate that a redundancy commission must be appointed in the event of a reorganisation. This omission makes KLM's position strong in this dispute (...).

My comment: *The title of the article will seem excessive to Air France employees. For the past ten years or so, they have been accustomed to a succession of voluntary departure plans.*

This is not the case for our colleagues at KLM. They have not experienced such a situation since the creation of the Air France-KLM Group.

> At Transavia the money mainly arrives in the Netherlands (Chez Transavia, l'argent arrive principalement aux Pays-Bas).

(source Upinthesky, translated with deepl com) 8 June - **Transavia consists of two companies.** There is not much information on how they both operate. Up in the Sky has found the answers.

Transavia Netherlands and Transavia France, vis-à-vis the outside world, act as one airline, with one website and one brand. Yet this is not the case. Transavia Netherlands (HV for short) is 100% owned by KLM. Transavia France (TO) is 96 % owned by Air France and 4 % by Transavia (Netherlands).

In 2019, Air France-KLM's low-cost airline carried 16.5 million passengers. This was almost 5% more than the previous year. **The Dutch subsidiary handled more than 9 million passengers,** according to a spokesman for the airline. **Transavia France,** with the abbreviation TO, **carried just over 7 million people.**

The Dutch fleet currently consists of 42 aircraft, all of the 737. They fly to 114 destinations. Boeings are also used in France, forty aircraft to be precise. There are 79 destinations served. The two Transavia overlap between Amsterdam and Paris Orly. Before the crisis, both cities were served twice a day. Carefully distributed: one flight to TO and one flight to HV.

More passengers of course means more turnover. In addition, the **average ticket price in the Netherlands seems to be (considerably) higher.** Air France-KLM's annual figures show that Dutch passengers generate twice as much turnover.

Turnover in 2019 from the Benelux countries amounted to just over EUR 1 billion. Just under half a billion euros came from France (...).

Transavia Netherlands has twice as much revenue as Transavia France, with 29% more passengers.

Transavia has a total revenue of €1.7 billion. France and Benelux together account for 1.5 billion. Customers from the rest of Europe contributed 184 million euros to the turnover. It is **therefore difficult for Transavia to qualify as a 'European airline', with 10% of its turnover coming from countries other than those where its bases are located (...)**

What is striking, however, is that there is almost no turnover to French destinations. Only 23 million was spent by customers travelling to French destinations. Finally, 129 million was spent on travel to Africa. Figures for Benelux or the Netherlands are not known.

***My comment:** This article highlights a characteristic of Transavia France's activity: the low-cost airline of the Air France group carries very few passengers on the French domestic network and very few businessmen.*

If, as is regularly mentioned, it were to replace HOP and Air France on part of this domestic network, it would have to adapt quickly to this new market for it.

> Last Minute: Scheiding Air France KLM hard in lange weg (costly and time-consuming Air France KLM separation)

(source De Telegraaf, translated with deepl.com) 8 June - "A separation between Air France and KLM costs time and money, according to experts. Nevertheless, **the House of Representatives wants Minister Wopke Hoekstra (Finance) to investigate the separation of KLM. A "separate" KLM is a solution to the political problem of a future share issue**",

In the event of a demerger, Air France KLM must be prepared to sell 49% of KLM's shares to the Dutch State, for example. This means that Hoekstra will have to go to the French State with a lot of money (...). But the shares can also be transferred to another party by the French.

KLM is an independent legal entity, a sale is theoretically possible. Whether or not it is wise is a second question. It has enormous consequences for the organisation, apart from whether the Netherlands would benefit from it. Collaborations will have to be broken off," says aviation law professor Pablo Mendes de Leon, who is also chairman of the KLM Trust Office, one of KLM's shareholder protection foundations. **Demand for PVP was surprisingly sustained by a majority last week.** The CDA, Hoekstra's party, also accepted the plan. The minister himself was not in favour of the investigation (...).

Insiders report that the inquiry into the split is only causing "more irritation in relations with Paris". Hoekstra is currently negotiating loans with the banks and KLM. The finance ministry will not say anything about what the investigation into an independent KLM will look like as long as negotiations continue. KLM has not responded to a request for comments.

The Shareholders' Association states in a reply that unbundling is an "extremely complex and lengthy process". "KLM is an imperfect company, with the coronavirus crisis it cannot have it all.

The company needs money, not new research," says VEB economist Jasper Jansen. Aviation expert Ruud Jansen disagrees with the VEB. According to him, a "liberated" KLM will actually earn money if the commercial and operational cooperation within the airline alliance with Delta remains intact. "Jansen reports to Telegraaf that the main purpose of the investigation is to carry out preliminary work for possible nationalisation.

"This is a cumbersome way to gain state influence in a company," says Hans Schenk, professor emeritus of corporate governance. "This influence can also be obtained by becoming a smaller shareholder, or by anchoring the public purpose in the articles of association." The minister is a shareholder in the holding company (...) and bit the dust at the annual meeting two weeks ago regarding the bonus of Managing Director Ben Smith.

"The state's a small shareholder, so it doesn't really have a stick to enforce the public interest. It should have done so at the time of the sale in 2004 or 2010, when it waived the right to redeem. If Hoekstra now wants to have more influence, it can only do so by buying shares on the stock exchange. But that is a political issue, because it involves spending a lot of taxpayers' money," Schenk explains.

A possible share issue is expected to take place later this year with a share issue by Air France KLM. MEPs fear that Dutch taxpayers' money will eventually end up on the French side of the company.

With a "free" KLM, Hoekstra will be relieved of a problem with Parliament and will be rid of the difficult relationship with the French. Internally, KLM fears that the size of the company will be reduced during a forthcoming reorganisation.

"It would be better to put the money in KLM's treasury than in the holding company in Paris. We won't see anything in return," says Jansen. "For the routes from Schiphol it doesn't matter, according to Mendes de Leon. "The government, which is responsible for granting these landing rights, could theoretically transfer them to a possible nationalised KLM. But the road is long. It is the Dutch government that decides in the negotiations how many KLM flights can be made to China

or Brazil, not the parent company in France",

My comment: *In the Netherlands, the parliamentary debate on the conditions of support for KLM has been going on for several weeks.*

The conclusions of the study on the retention of KLM within the Air France-KLM group could weaken the position of the Dutch State if they showed that a separation would in all likelihood endanger the future of the Dutch flag carrier.

> Air France to recapitalize its HOP subsidiary

(source La Tribune) June 2 - Beyond the speeches, a strong decision will confirm the maintenance of HOP. According to corroborating sources, Air France is preparing to recapitalize its subsidiary in the near future for around 200 million euros. The dossier will be presented to the next Air France Board of Directors (...).

Recently, during a videoconference with HOP staff, Ben Smith, the CEO of Air France-KLM, Anne Rigail, the CEO of Air France and Pierre-Olivier Bandet, the CEO of HOP, had indicated that the recapitalisation was not in question. Enough to raise the sword of Damocles hanging over the regional airline. And reassure the employees, worried about the persistent rumours about a closure of the company. Because, without this recapitalization, the survival of HOP is in question (...).

Since 2017, HOP's shareholders' equity is less than half of the share capital (which is contrary to the requirements of the Commercial Code), **and a recapitalization by the end of 2020 is mandatory for the company**, otherwise it runs the risk of being potentially dissolved as stipulated in the same Commercial Code. **For Air France, there will be no cash outflow. The parent company will write off a claim it had on HOP. A current account debt will be converted into capital. This amounts to approximately 200 million euros.** The Air France group had itself benefited from such an accounting bookkeeping game in 2015 when its parent company, Air France-KLM, cancelled a debt of around 750 million euros to recapitalize it.

However, if HOP is going to continue, the restructuring will be painful.

Air France's regional subsidiary will undergo a severe slimming cure. Its activity will be "limited" to supplying the hubs at Roissy-Charles de Gaulle and Lyon. Outside Lyon, the other major regional routes will be abandoned. Flights between French cities and the Parisian airport of Orly (such as Toulon, Clermont-Ferrand...) will also be abandoned. The development of Air France's low-cost subsidiary, Transavia, on the domestic market is planned (...).

"Before the crisis, our business plan allowed us to maintain all the sites and PN bases [flight crew]. This crisis is calling this balance into question. A concentration of HOP's presence seems unfortunately inevitable [...], the viability of HOP in the long term is at this price', added Pierre-Olivier Bandet, adding that **'the social consequences' will be dealt with and accompanied 'in time, between the beginning of 2021 and the summer of 2023, by 'relying on the solidarity of the group'**.

Departure plans will be put in place and voluntary work will be favoured. "Our objective is to manage these situations of overstaffing by favouring voluntary work and by developing systems adapted to different situations / populations. **All means will be mobilized: voluntary departure measures, incentive schemes for end-of-career departures, measures to support geographical and professional mobility (including the PN gateways),**" Pierre-Olivier Bandet specified.

The trade unions fear more than 1,000 job cuts out of the 2,700 positions in the company.

My comment: How does a company get into HOP's situation?

To make it (very!) simple, a company's share capital represents the funds contributed at the time of its creation. The equity (also called shareholders' equity) is initially equal to the share capital. Then, year after year, profits and losses (among other things) are added to it.

When a company goes from one deficit year to the next, it reduces its equity. This is what happened to HOP.

There are several solutions to get out of this situation, which can go as far as the dissolution of the company.

In the case of HOP, the regional airline has a debt of 200 million euros to Air France. The waiver of this debt by Air France will increase HOP's equity by the same amount.

> Air Caraïbes and French Bee give green light to salary cuts

(source Les Echos) 4 June - Reducing wages to save jobs: the idea is no longer taboo in France, including in air transport. Air Caraïbes and French Bee are proof of this. At a time when the sector is losing jobs by

the tens of thousands, the **unions of the two airlines in the Dubreuil group were the first to conclude a "collective performance agreement" (CPA) with their management guaranteeing the maintenance of jobs, in return for a general wage cut of around 10% over a two-year period.** An initiative unimaginable before the crisis. But others could follow, notably at Corsair, where the subject is on the negotiating table.

However, Air Caraïbes and French Bee have not invented anything. All they did was use one of the innovations introduced in 2017 into the Labour Code by the "Macron Ordinances", which allows companies to negotiate with the unions a reduction in wages or a change in working hours in order to avoid redundancies. And this for a maximum period of five years (...).

Each category of personnel has been the subject of a different APC, but all are concerned: pilots, cabin crew, ground staff, not forgetting managers, who will also see their overall remuneration reduced by 10%. The reduction in remuneration will vary slightly depending on the category and the terms and conditions (bonuses, compensation, salaries, etc.)," explains Marc Rochet. But, **overall, the effort required is a decrease of about 10% in social costs for a period of two years, in exchange for the commitment to maintain the number of permanent contracts.** "And, contrary to a renegotiation of collective agreements, which always takes time, an APC is effective immediately," notes the manager.

Indeed, the APC has the advantage of being a temporary modification of some of the working conditions. "Management wanted a three-year period, but we got it limited to two years. And if the situation improves faster than expected, we could get out of it early," he adds.

This effort by employees is part of a broader plan to reduce costs at Air Caraïbes and French Bee, designed to cope with the lasting drop in demand and revenues. "The group is negotiating with Airbus, in particular, the postponement of part of the A350 deliveries scheduled for 2020 and 2021, as well as the lease contracts for other aircraft (...).

My comment: The use of a collective performance agreement can help avoid job cuts in a company in difficulty.

Other solutions exist. At Air France, Management intends to give priority to employee departure incentives via a voluntary departure plan.

> British Airways threatens to lay off employees to take them back at lower cost

(source Les Échos) June 4 - **Take it or leave it.** Faced with the coronavirus epidemic and the heavy collateral damage it has caused to airline activity, **British Airways did** not content itself with announcing at the end of April up to 12,000 job cuts out of 42,000 employees. The British airline is also **seeking to impose less advantageous working conditions and wage cuts on the remaining employees. And it is even threatening to lay them off, even** if it means **hiring them again under the new regime**, if the unions do not give the go-ahead. A total of **19,350 employees would be affected** by this approach submitted to the unions on 28 April (...).

In many cases, the company would like to include temporary unemployment clauses in employment contracts, which would allow work to be suspended for up to 6 weeks a year without paying employees (...).

"This is a cynical way of reducing staff conditions at a time when there is nothing they can do to oppose them", said the chairman of the Parliamentary Transport Committee, Huw Merriman, for whom British Airways is "actually laying off" 42,000 employees and "replacing them with 30,000 employees on inferior terms".

The method irritates the government and some British MPs all the more since British Airways announced a few weeks earlier that it was placing 30,000 employees under the government's short-time working scheme so that 80% of their salaries would be paid by the taxpayer. It also announced up to 12,000 departures.

"The recent announcements of layoffs by companies such as British Airways are terrible news for employees and their families, **Transport Secretary Kelly Tolhurst** said in the House of Commons on Wednesday. These are decisions that I particularly **regret for** those companies benefiting from the Government's job maintenance package. **The plan "was not designed to have taxpayers pay for the salaries of employees so that companies can lay off those same employees during the period of short-time working,"** she said.

> **Why Austria will set a minimum air fare of 40 euros**

(source BFM BUSINESS) 8 June - The Austrian government announced on Monday a series of measures for air transport that it wants to make "more sustainable", including a minimum ticket price of €40 and a tax on short-haul journeys.

The coalition of conservative Chancellor Sebastian Kurz, who governs with environmentalists, also **confirmed its agreement to a rescue plan for Austrian Airlines (AUA), a subsidiary of Lufthansa, which will receive €450 million in state aid.**

The plan will consist of direct financing (€150 million) and state-guaranteed loans (€300 million) to help the carrier recover from the coronavirus crisis.

The government, which has ambitious climate targets for the next few years, **has accompanied this announcement with a series of measures to make "air transport sustainable and socially equitable"**.

"It will no longer be possible to offer tickets priced below actual taxes and charges. In Austria on average, this means 40 euros", said Environment Minister Leonore Gewessler (Greens), unveiling the forthcoming introduction of a minimum ticket price.

"In future there will be no more low-cost tickets on the back of the climate and employees. In the EU we are pioneers against the dumping of low-cost airlines", the minister assured. In the spotlight, we can of course mention Ryanair, which has been heavily criticised for its handling of the social crisis.

The government also wants to introduce a tax of 30 euros for all air travel of less than 350 kilometres.

My comment: To prohibit the sale of airline tickets at a price below taxes, I have expressed myself several times along these lines.

Does that make it legal? The issue is regularly debated.

Some people consider that the ban on selling at a loss applies to every ticket, so a ticket cannot be sold at a price lower than the taxes and the cost of fuel.

Others believe that the ban on selling below cost applies to theft. The total revenue from the flight must then be higher than the taxes and the cost of fuel.

Legal or not, I cannot say. But selling a ticket at a price below taxes is not acceptable!

> Ryanair: the reduction in salaries asked of employees is "completely disproportionate", says Jean-Baptiste Djebbari

(source France Info) 5 June - **"Ryanair is asking for salary cuts for five years, which seems completely disproportionate,"** Jean-Baptiste Djebbari, **the French Secretary of State for Transport,**

reacted on France Info on Thursday 4 June.

He thus indicated that "these collective performance agreements, which aim to avoid redundancy plans (...) will probably be implemented in a number of companies", given the crisis affecting the air transport sector in connection with the coronavirus health crisis. But Jean-Baptiste Djebbari recalled that these agreements should "be limited in time and accompanied by employment guarantees". Controls are being carried out, the labour authorities are involved, and the unions are working in good faith in these negotiations. The Secretary of State for Transport also said that he would like the agreements to obtain the approval of the employees, in a more direct way: "I think that these agreements, once they are concluded, must be submitted to internal democracy, to a referendum. (...) It is indeed in this balanced balance of power between employees and employers that things must take place", he recommended.

If he did not call for a boycott of the Ryanair company, as Laurent Berger, secretary general of the CFDT, did on Tuesday on franceinfo, **Jean-Baptiste Djebbari considered that "Laurent Berger is right to say that the consumer, the user, the passenger, has a power to take or not take companies that respect or pretend to respect the rules"**.

However, he stressed that "in the recent past, Ryanair has been condemned for concealed work". The Secretary of State recalled having 'worked at one time as a legal expert on these matters', indicating that he was 'very familiar with Ryanair and its ability at one time in history to have circumvented the rules or at least to have played the grey areas of European law'.

My comment: For those who wish to know more about the Ryanair system, I invite them to read the survey conducted by the APNA. It is available at apna-asso.com/project/survey-Ryanair-a-model-economical-base-on-the-subsidized-public-a-trance (replace the question mark with a period).

It deals with the employment conditions of air crews, financing by local authorities, financial arrangements via tax havens, export subsidies for the purchase of Boeing 737s.

As this study is dated 2015, some of the information may be out of date.

> Wizz Air Abu Dhabi to double initial launch fleet (Wizz Air Abu Dhabi va doubler sa flotte de lancement initiale)

(source Arabian business, translated with deepL com) June 3 - European low-cost airline Wizz Air will transfer its UAE operations to Abu Dhabi ahead of the launch of Wizz Air Abu Dhabi later this year.

Wizz Air Abu Dhabi will be launched with six aircraft, double the number originally planned, according to the managing director of Hungarian airline Wizz Air.

And while the Covid-19 pandemic has created a huge black hole in the aviation industry, Jozsef Varadi revealed that the launch date of the new low-cost airline, operating from the UAE capital, is on schedule later this year (...).

The joint venture with the Abu Dhabi State Holding Company (ADQ) will take off in October, **with destinations throughout Europe, the Indian subcontinent, the Middle East and Africa** (...). Varadi remains optimistic about the future. He said: "In fact, it has even increased our appetite, given the situation, as we have seen that competition is weakening here and there".

He added: "This **is an initiative that will probably take us to the scale of Wizz Air Hungary in the same period. So, if you look at the figures, Wizz Air Hungary has reached about 100 planes in 15 years and Wizz Air Abu Dhabi will also reach 100 planes in 15 years, if not more**" (...)

He said: "**We can capture five billion people within a six and a half hour radius around Abu Dhabi.** We believe this represents many opportunities for the airline to expand its network. We will launch this initiative commercially in a few weeks, and operationally we will be in the air by the end of the year as planned".

My comment: *The Emirates and Turkey have a privileged geographical location. More than 70% of the cities served from these countries are accessible by single-aisle aircraft.*

By setting up in Abu Dhabi with the financial support of the local government, the Hungarian low-cost airline Wizz Air, a short-haul specialist, is trying to enter the long-haul market with single-aisle aircraft. It notes that the growth prospects of the intra-European market are becoming limited.

It will thus compete with Turkish Airlines.

> **With Lufthansa, Brussels sets its competitive course**

((source l'Opinion) 5 June - The "next world" is already here for European air transport. With Margrethe Vestager in the role of the great

renovator of competition law on the old continent. The yard, which opened a few months ago, has reached an important moment with the battle that the Commissioner has just fought over the **approval of the €9 billion rescue plan that was painfully negotiated between Lufthansa and Berlin. Its conclusions are worth analysing, because the other national companies, the European official warned, will be placed on the same footing as the German one as soon as they benefit from state recapitalisation. This is the case of the German national carrier, which could soon be the case of Air France-KLM or Alitalia, which is due to be nationalised in the near future.**

Although undermined by a recent European Court of Justice ruling ruling that one of its 2016 decisions opposing a merger in the UK telecoms sector was illegal, her final arbitration shows that the Danish Commissioner has lost none of her pugnacity. In her first major decision on massive state support resulting from Covid-19, **she secured that Lufthansa will open its two key hubs, Frankfurt and Munich, to new competition with 24 slots for Ryanair, EasyJet and Hungary's Wizz.**

Although it has had to go back on its initial claims in terms of the number of slots granted, **it has put forward its arguments on the merits: the recapitalisation of EUR 5,7 billion granted by the German State gives Lufthansa a significant competitive advantage because it assures all investors of the company's survival** and reopens the way for it to obtain market financing. In its view, this should be compensated in favour of new competitors who are deprived of such public support.

This philosophy is sound, and must be supported. By setting limits on the relaxation of the State aid regime already granted in connection with the pandemic, it is likely to underpin the decisions that the Directorate-General for Competition will shortly be taking, well beyond the aviation sector. It is not **surprising, therefore, that Renault's management was careful to stress that it was not planning any recapitalisation, sticking to a loan of 5 billion** validated on Tuesday by President Macron... **If this becomes necessary, Brussels would be on guard to demand compensation, which it has maintained, in the case of Lufthansa, despite an unprecedented shelling of its services by all the political, employer and trade union lobbies in Germany.**

Clearly, the notion of "European champion" is still understood restrictively in Brussels, and the countries calling for it will have a hard time. The Lufthansa case shows that the current reflections on competition law will lead to changes, but not a major shift. If there are any innovations, it will be in the means of defence granted to European groups, in a weak position and subject to subsidised foreign interests,

that they will have to be hoped for. A White Paper on the subject is expected this month. This is a major event for the European economy.

***My comment:** The number of slots released by Lufthansa may seem low. However, it represents two thirds of the slots distributed at Orly after the liquidation of the Aigle Azur airline.*

Stock market press review

> Air France KLM: cautious advice

(source Boursier com) June 4 - Air France KLM remains stable at 4.85 euros this Thursday in Paris, while among the latest broker reviews, **Berenberg is only aiming at a price of 4.75 euros on the airline while remaining "neutral"**, against a target of 7 euros previously. Exane BNP Paribas is also 'neutral' on the stock with a target price of 5 euros, (...)

***My comment:** Thursday 4 June was the only stable day for the Air France-KLM share. On the three previous days, it had risen by 20%. On the following two days it rose by 21%.*

Buoyed by the upturn in activity, it now exceeds the consensus of analysts by 25% (see my comments on the share price at the end of the letter).

The bonus article...

> TRIBUNE. "You want to change the company of tomorrow? I'll be damned. »

(source L'Obs) 3 June - Energy renovation, carbon-free transport, renewable energies... **The economic recovery plan must accompany the ecological transition, ninety French and international business leaders call for**, in an op-ed published in "Le Monde" on the initiative of Jean-Laurent Bonnafé (BNP Paribas).

"Chiche! ", react about forty salaried directors of the CFDT trade union. Coming from companies as diverse as Renault, Groupama and Sanofi, they call for a strengthening of the role of employee representatives on boards of directors. "L'Obs" publishes their response.

"Let's put the environment at the heart of the recovery," the leaders of our major companies chanted in a forum on May 3.

Chiche! The CFDT employee directors reply. And you can count on us! Reading the clear and simple message from this employers' forum, a message that we can only agree with 200%, we feel like saying: but yes... do it, damn it... let's do it now!

For responsible companies, quality jobs

We, as employee directors, are also very attached to our companies. We support and defend long-term development strategies, the issue of work, the choice of environmentally friendly activities that allow us to take the path of ecological transition, commitments to more democratic companies with quality social dialogue.

We seek to influence so that the development of our companies is a source of employment for the greatest number and quality jobs, giving power to live and social recognition.

The commitment of employees, as a constituent stakeholder, is also a pillar for the development of innovation. And innovation is the key to the success and sustainability of the company. It is also the means to move towards the quality economy that we are calling for.

It is necessary for our companies to transform themselves in order to curb the consumption of non-renewable resources. We must go beyond carbon offsetting alone, and stop consuming limited resources at all costs. This transformation towards a new development model depends on the choices made by directors when they decide on a strategy in the Board of Directors (BOD).

For a regulated and reoriented, fairer remuneration policy

Wages to live on... Executive salaries that are regulated... What is the acceptable range of salaries, what factor for a decent balance? A factor of 100, says the Medef? Debates must take place within the boards, and it is the responsibility of employee directors to ask questions and broaden their thinking so that decisions can lead to a fair balance.

The employee directors have long been talking about these issues of sharing. After the general movement of reflection induced by the emergence of the notion of *raison d'être*, shareholders understand more clearly that they should share the income and not take the largest share of it. We can only welcome this.

The crisis has made it compulsory for dividend money to be redirected towards the survival of the company and its employees. Decisions guided by the long term and solidarity must be extended. It is a question of not falling back into the short-term financial mainstream... no decision should be taken without being measured and expected to be effective in the fight against the ecological emergency.

For companies in the Social and Solidarity-based Economy, the priorities must be the same.

Accompanying and driving the transformation

transformation is necessary to convert the activity and reduce the consumption of non-renewable resources and reduce the pollution generated.

This crisis also shows the need to control and reorganize production. The risk of entrusting them to a single factory, even the largest in the world, has shown its limits, especially on the other side of the world! Within the Board of Directors, we, the salaried directors, are players in CSR [Corporate Social Responsibility]. We are a source of suggestions thanks to our skills and knowledge of the work, and our network of internal and external relations. Our understanding of the inside of the company, our knowledge of the business, allows us to anticipate problems in decisions.

Strongly attached to the continuity of our companies, we, as employee directors, can be true allies in translating what you, as directors and managing directors, are calling for: putting the environment at the heart of the recovery!

So put your trust in us, give us a place on the boards and in the committees of those boards. The Pacte Act has enabled us to be - painfully - more numerous, but it has not changed the balance. The crisis we are going through, with all the uncertainties and fears about the future, makes dialogue and power-sharing more necessary than ever. Let's be innovative, let's set up, as elsewhere in Europe, a French-style co-determination, a guarantee of shared governance that will enable us to build the company of tomorrow to meet the challenges that await us.

***My comment:** This forum demonstrates the commitment of CFDT employee directors to put the environment at the heart of the recovery.*

End of press review

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

The Air France-KLM share closed at 6.042 euros on Monday 8 June. It is up a very strong 41.17% over one week, after rising 13.6% the previous week. The upturn in air traffic is behind the rise in the share price, which concerns most airlines.

At the start of the coronavirus epidemic, the Air France-KLM share was at 9.93 euros.

The average (the consensus) of analysts for the AF-KLM share is 4.80 euros. Many analysts lowered their price forecasts at the beginning of the health crisis. You can find on my blog the details of the analysts' consensus.

The barrel of Brent crude oil (North Sea) is up slightly from \$1 to \$37. Announcements of the start of deconfinement are giving the signal for a resumption of industrial activity. At the beginning of the coronavirus epidemic, it was at \$69. Production is still higher than (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

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

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