

Les Échos Air France would like to cut 8,000 to 10,000 jobs without forced departure.



## I Letter from the Director Air France-KLM

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

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### *Monday's Press Review*

> **Air France would like to cut 8,000 to 10,000 jobs without forced departure.**

(source Les Echos) 17 June - After British Airways, Lufthansa, EasyJet and almost all European airlines, **Air France will soon reveal the number of jobs that the group plans to cut between now and 2022 to adapt to the "next world".**

**The precise figure should be announced by early July at the latest, at the end of the consultation phase with the trade unions, at the same time as the presentation of Air France's "reconstruction plan",** which includes an overhaul of the domestic network. However, according to our information, staff reductions should amount to between 8,000 and 10,000 jobs for the entire Air France group, including the regional subsidiary Hop, out of a total workforce of 52,512 full-time equivalents at the end of 2019, including 45,850 for Air France.

**All major categories of Air France staff will be impacted.** Around half of the job cuts, i.e. between 4,000 and 6,000 jobs, will concern ground staff, which also constitute the largest category, with 34,413 employees at Air France Group level and 30,427 for Air France alone. Within the "cabin crew" category, cabin crew, hostesses and stewards would lose between 2,000 and 2,500 jobs out of a total of 15,461, including 14,147 for Air France alone. Air France pilots, 4,217 in number

at Air France, would see the departure of around 400 colleagues. All categories taken together, however, the group subsidiary most affected would be Hop, where nearly a thousand jobs would be threatened out of a total of 2,751 employees.

This 15% to 20% reduction in the Air France group's workforce, which corresponds to an expected fall in activity of 20% in 2021 and 10% in 2022 compared to 2019, would compare rather favourably with the figures announced by its main competitors.

Lufthansa has indicated that it intends to cut 22,000 jobs, i.e. almost 16 % of the group's workforce (which includes Swiss Austrian and Brussels Airlines), half of which will be in Germany. British Airways plans to cut 12,000 jobs, i.e. almost 30 % of its workforce, while at the same time requiring its employees to revise their employment contracts downwards. EasyJet also wants to cut 30% of its workforce, i.e. 4,500 jobs.

Above all, **Air France's staff reductions should be carried out mainly on a voluntary basis, through voluntary departures and accepted transfers, avoiding forced departures as far as possible. For pilots and cabin crew, Air France is planning to use a new tool: the "rupture conventionnelle collective" (RCC)**, which enables employees who so wish to benefit from specific departure conditions negotiated within the framework of a collective agreement. This means a larger departure voucher.

**Negotiations are already under way with representatives of pilots and cabin crew**, which should lead to agreements between the end of June and the beginning of July, to be implemented this summer. As the calculation of the RCC allowance is based on seniority, the aim is to encourage the oldest seagoing personnel, who are also the highest paid, to take early retirement or retrain. This is to be done in the shortest possible period of time. In particular, all Airbus A380 captains whose aircraft are retired from service will be able to benefit.

**For ground staff, on the other hand, Air France has given preference to a more traditional tool, which has already proved its worth within the Group: the voluntary departure plan (PDV).**

Although slower to implement, it gives the company time to reorganize teams and working methods, which will be particularly necessary for the support functions. These various VDPs should be announced between the end of June and early July, for implementation until 2021. Provided that the government deems the copy acceptable and the unions sign.

***My comment:*** *It is always deplorable that information on projects in the pipeline leaks out to the press. The figures mentioned in this article have been contradicted by Air France.*

*This being the case, these leaks will at least have had the merit of clarifying the French Government's position: in return for the aid paid to the company, the French Government is asking that there should be no forced departures within the Air France group.*

## > **Lying Poker between Air France and the government**

(source Libération) 18 June - These members of the Air France-KLM board of directors with whom Libération was able to talk were rather annoyed. "It's absurd that we are so far out of the loop," said one of them. And for good reason, they say, they discovered the plan to cut 8,000 to 10,000 jobs in the press. But in a normal situation, a board of directors is supposed to be informed and then validate the major strategic orientations of a company.

Air France CEO Benjamin Smith seems to have chosen another option. The one that consists in letting a sufficiently high figure on job cuts leak out to test the government and the unions. The maneuver then consists of revising this figure downwards to give the impression that significant concessions have been made.

Clearly, the operation has worked for the time being. **The day after the flight from 8,000 to 10,000 job cuts at Air France, the Minister of the Economy stepped up to the plate and declared that there was "a red line not to cross", that of forced departures.** With a reminder in the background: the State is Air France's reference shareholder with 15% of the capital and supports a loan of seven billion euros.

In order to make a good impression, the Ministry of the Economy says it has discovered this figure of 8,000 to 10,000 job cuts and finds it too high. This gently makes a member of the board of directors laugh: "How can Bercy hold this position when two government ministers, including the Minister of the Economy, have had the right to a presentation of this plan to cut jobs".

This game of liar's poker could therefore end in a reduction of the 8,000 jobs cut, knowing that 2,000 of them (those concerning pilots and stewards) should be subject to a collective bargaining break. A negotiated procedure that therefore excludes the notion of forced departure that Bruno the Mayor wants to avoid.

The fact remains that the number of candidates for a voluntary departure plan could be much lower than what management wants. And for good reason, **over the last ten years, seven such plans have been launched and have resulted in the departure of 10,000 employees.** Furthermore, Air France management is bound by an agreement signed in 2019: "It stipulates that Air France cannot carry out forced departures", recalls François Cabrera, CFDT General Secretary of the Air France-KLM European Committee. (...)

**Moreover, in Europe and the rest of the world, Air France-KLM has 6,000 expatriates in its stopovers.** Staff reductions outside France will in fact make much less noise than those which might take place in France. (...)

***My comment:** When projects on the scale of the recovery plan (Vesta) are drawn up within a company such as Air France, various stakeholders must be informed or even consulted: employees, their representatives within the bodies (the Social and Economic Committees), the unions, the Board of Directors and the supervisory authorities.*

*It is always difficult to determine the order in which to address these different stakeholders, as each feels that they should be informed first.*

*One thing is certain: within each group, it is essential that all components be informed simultaneously. Over the last few days, some unions have felt that this common sense rule was not respected by Air France. They have reproached the company for giving the pilots' unions the first information.*

*Despite this, the vast majority of Air France's trade unions have agreed on a joint declaration, which is the subject of the article below.*

### **> Air France: 14 trade unions ask to be received by the government**

(source Le Figaro with AFP) 22 June - **Fourteen unions at the Air France airline published a joint letter on Monday in which they demand to be received by the government to preserve jobs "in the short and long term"**. This open letter addressed to the Minister of Economy and the Secretary of State for Transport is signed by FO, the company's leading union, but also by Unsa Aérien, CFDT, CFE-CGC, CFTC, CGT, Sud-Aérien, the flight attendants' unions (SNGAF, UNPNC, SNPNC, Unac and Unsa-PNC) and the Spaf and Alter pilots' unions. The SNPL, the majority pilots' union at Air France, is not a signatory. **"We (...) want to share with you our concerns about the consequences of the health crisis that our country has just gone through" and "share with you the solutions that we feel are the most relevant to preserve our industrial tool and its jobs in the short and long term"**, write these union organizations.

Faced with an air transport sector brought to a halt by the Covid-19 epidemic, the State granted Air France financial support of 7 billion

euros, including 4 billion in bank loans 90% guaranteed by the State and 3 billion in direct loans. In return, the government asked the group to improve its profitability and environmental impact, and to begin a review of its network in France.

Air France's management will unveil the company's strategic orientations and its consequences on employment at an extraordinary meeting of the Central Social and Economic Committee on July 3. The unions expect several thousand jobs to be cut at the French airline and its regional subsidiary Hop!

***My comment:** I salute the Air France unions who, for once, have drafted this joint letter. Their request for a meeting with the government is legitimate and reasonable.*

### > **Controle op besteding geld struikelblok bij redding KLM (Controlling expenditure is a stumbling block to saving KLM)**

(source FD nl, translated with DeepL) 18 June - The government's proposed support for KLM is made more difficult by the fact that Air France wants to maintain its influence over the Dutch airline. Finance Minister Wopke Hoekstra (CDA) demands that loans of up to 4 billion euros should only benefit KLM and therefore wants to control spending. The French want as few restrictions and conditions as possible because this is a rescue operation, a consequence of the containment because of the Covid-19. (...)

**One of the scenarios is the enlargement of KLM's supervisory board from nine to eleven members.** The two additional seats would then have to be occupied by the Dutch, while the French would have to be content with a minority on the board. It is not clear whether these two additional supervisory directors would be appointed by the government. KLM is subject to the so-called 'two-tier board system', which stipulates that supervisory directors must serve the interests of the company they supervise, without charge or consultation of others. There is concern, however, that French supervisory directors - including Air France-KLM's chief executive, Ben Smith - are following "orders from Paris" in crucial decisions, according to one insider. **For Air France-KLM, there is a risk that in such a scenario, KLM's results would no longer be consolidated within the group. This is unacceptable for the French.** **An alternative**, according to Steven Schuit, a retired corporate lawyer, **is to agree that the recovery plan will be broken down into several phases and that at each phase the government will give its approval before the money is made available.** To this end, you could appoint an experienced administrator, banker or lawyer who, on behalf

of the government, would watch over the destination of the money like a watchdog.

Mr. Schuit, who now teaches corporate governance at Nyenrode, talks about a complex issue. From a political point of view, I understand Hoekstra's wish. **But it is difficult to achieve. KLM and Air France jointly lease aircraft, buy kerosene together and share operating costs much more. So how do you keep the investment strictly separate from the operating costs**, because that's what you're talking about? It's not easy, and for Air France, it's also difficult to accept as an owner. They bought KLM at the time.

According to him, **the discussions mainly reflect the lack of trust between KLM and Air France and between the Netherlands and France**. In Amstelveen, it was not forgotten how the French initially wanted to transfer money from KLM to the group and, a few years later, questioned the position of KLM's CEO, Pieter Elbers. The French government, for its part, was unpleasantly surprised when Minister Hoekstra bought a stake in the Franco-Dutch air combination in the spring of 2019 for EUR 744 million, in the greatest secrecy, almost the same size as the French state. (...)

**The cabinet cannot postpone a final agreement on the promised support much longer**. For KLM, the fund is in sight. Even now that a few more flights are being operated, revenues are at a "much lower level", KLM chairman Pieter Elbers told his staff in a video message earlier this month. He expressed the hope that negotiations with the banks and the government could be concluded quickly. The European Commission and the lower house of parliament are also looking critically. **The Assembly will be in recess at the end of June. The approval of a support operation by the House of Representatives must take place before (...)**.

***My comment:** Paradoxically, while for years the Dutch State seemed to be quicker to defend the interests of its national company than the French State, its support for KLM has been slow to materialise.*

### > **Lufthansa: heavy quarterly loss**

(source Boursier com) 3 June - **Lufthansa saw its results deteriorate sharply in the first quarter with a net loss of 2.1 billion euros, due to the Covid-19 pandemic**. Operating income was negative at EUR 1.2 billion and revenues fell by 18% to EUR 6.4 billion. While the second quarter is shaping up to be just as complicated (traffic on the group's companies fell by 98.1% in April), management warns that it will have to launch a drastic restructuring to deal with a situation that has never

been seen before. (...)

**My comment:** *The Lufthansa Group's net income for the first quarter is in the same order of magnitude as that of its main European competitors : -1.68 billion euros for the IAG group, -1.8 billion euros for the Air France-KLM group.*

### > **Lufthansa: decisive week**

(source Boursier com) June 22 - **Lufthansa was thought to be out of the woods.** After weeks of negotiations, the German company had finally found common ground with the German government on a 9 billion euro rescue plan. **This was not the case.** While the shareholders are due to approve the aid plan at a general meeting scheduled for Thursday 25 June, the first of them is threatening to derail the deal. **Billionaire Heinz-Hermann Thiele, who owns 15.5% of the carrier, is due to meet Lufthansa CEO Carsten Spohr and two ministers from the Merkel government later today to discuss the situation.** Germany's third fortune **expressed its dissatisfaction with the rescue package, saying the state will come out a winner, while its stake will be diluted and its influence limited.** According to the agreement between the company and Berlin, the government will have a direct 20% stake in Lufthansa's capital, as well as two seats on the supervisory board. Berlin is unlikely to give up any ground before Thursday's crucial vote, while the government has deemed any other scenario unacceptable or impossible to achieve in time to meet Lufthansa's liquidity needs. Indeed, Korbinian Wagner, a spokesman for the German Economics Ministry, said on Sunday that the government had "presented a good and balanced offer to which the supervisory board agreed". Like all its competitors, the group is not spared by the unprecedented crisis that is shaking the airline sector (...). It is negotiating an agreement with the unions that would enable it to cut nearly 25,000 jobs.

**My comment:** *Heinz Hermann Thiele, Lufthansa's largest shareholder, recently acquired a stake in the company. In January 2020, he acquired 5.29%, before increasing to 10.01% in March and then to 15.5%. The other shareholders all hold less than 5% of the shares.*

*In expressing reservations about the future rise of the German state in Lufthansa's capital, he echoed the criticism voiced last month by Lufthansa's CEO Carsten Spohr when the support plan was announced.*

### > **IAG : LEVEL Europe will no longer fly.**

(source Boursier com ) 18 June - New victim in European skies. **LEVEL Europe, a small Austrian company within the IAG group, has declared bankruptcy.** While all flights have been grounded since March because of the pandemic, the company announced that it has ceased its activities with immediate effect. LEVEL Europe "is not in a position to organise alternative flights for passengers". **LEVEL Europe, which operated six short-haul aircraft, is not related to Level, also owned by the parent company of British Airways and Iberia, but specialises in long-haul.** Approximately 240 employees, 200 in Vienna and 40 in Amsterdam, are unemployed.

### > **Qatar Airways will not receive any aircraft in 2020 and 2021.**

(source Boursier com) 19 June - **Qatar Airways is** also reviewing its ambitions. The Doha-based airline will **not take delivery of any new aircraft, either Boeing or Airbus, in 2020 and 2021**, its managing director told Sky News.

"Many (deliveries) will be postponed. We have already informed both Boeing and Airbus that we will not take delivery of any aircraft this year and next year.... **All other aircraft that we had ordered and that were supposed to be delivered to us in the next two or three years will now be postponed for up to eight to ten years,**" said Akbar Al-Baker. The executive also said that Qatar Airways will continue to support IAG after increasing its stake in the airline group in February. "This is a strategic investment. We will continue to be an investor in IAG. If necessary, yes, we will inject equity into IAG". Rumours of a capital increase by the parent company of British Airways and Iberia have been circulating in the trading rooms for the past few days.

***My comment:** I had omitted to mention that in February 2020, Qatar Airways had increased its stake in IAG to 25.1% from 21.4% previously.*

*This increase in shareholding was achieved through the purchase of shares for an amount of €560 million.*

### > **Airbus will take "difficult", "bitter", "but necessary" decisions to protect its future" (Guillaume Faury, CEO)**

(source La Tribune) 20 June - (...) In a letter addressed to the employees that La Tribune obtained, **Guillaume Faury explains that an adaptation plan will soon be announced by the end of July to enable Airbus to get through a crisis that promises to be long and deep.**



"The crisis in the aviation sector will be long and of such magnitude that it requires us to take greater measures at Airbus. We have, I recall, lost more than a third of our commercial aviation business, and our costs continue to far exceed our revenues. This is not sustainable. Our workload plan has also become structurally much lower than our headcount. To put it simply: we still have to take steps to restore our industrial and financial equilibrium," he writes (...).

While air transport is starting up again after more than two months of almost complete shutdown, Guillaume Faury has a much more precise vision of the market than he had a few weeks ago.

**"Based on the latest market studies, we believe that it will take until 2023 at best, or even 2025, to see air traffic return to its 2019 level.**

The recovery should initially concern single-aisle aircraft, as demand for wide-body aircraft is likely to remain weak for longer due to the structure of this market segment and the lasting impact of the health crisis on long-haul international travel," he argues (...).

"We are determined to preserve as far as possible the company's know-how, which is the valuable result of decades of careful development (...).

"We

have some difficult decisions ahead of us (...) **"We will do our utmost to ensure that these decisions are made in the best interests of Airbus, and with consideration for all the people who depend on it, starting with the employees.** They will aim to limit as far as reasonably possible the short-term impacts of the crisis - particularly on employment - while taking great care not to jeopardize the very future of Airbus (...) The fate of thousands of other companies and hundreds of thousands of families depends on us. The prosperity of many communities around the world depends on our own resilience. There are almost 140,000 of us working together around the world. Airbus cannot afford to risk failure".

***My comment:** Airbus' forecasts for the recovery are in line with those of the airlines. It will take three to four years to return to the 2019 level of activity.*

## > **Environment: Elisabeth Borne in favour of a floor price for air tickets**

(source Air Journal) 21 June - **Elisabeth Borne**, Minister for Ecological and Solidarity Transition, **is seduced by the example of Austria, which has decided to ban the sale of airline tickets at less than 40 euros** to combat dumping by low-cost airlines.

"I think it's quite shocking to make people believe that making a Paris-Marrakesh or a Paris-Prague costs 15 euros. It costs much more than that to the planet," the minister said Friday at the microphone of France Inter. **According to the French minister, the "climate emergency" requires such a measure to limit air traffic and reduce CO2 emissions from aircraft.** In fact, a floor price allows above all to preserve traditional companies (Air France therefore in France) from competition from low-cost airlines (easyJet, Ryanair, Vueling, etc.) which regularly charge call prices, sometimes less than 10 euros, to attract a large clientele (...).

***My comment:** I've been campaigning for several months for a binding measure on the price of plane tickets.*

*Last September, I wanted to check the reality of an offer at 9 euros for a flight between two French cities. I obtained a ticket whose price was detailed as follows:*

***price excluding taxes -19.86€.***

*taxes 28,61€*

*file fees 0,25€*

*Total 9,00€.*

*This negative tax-free rate is inadmissible for me.*

### **> The abolition of domestic airlines in France will affect all airlines in France.**

(source Libération) June 22 - **"We are going to ask for environmental conditions as part of the Air France rescue plan.** Among these conditions is **that Air France should withdraw from routes, notably to Orly, for which there is a rail alternative at less than two and a half hours,**" Secretary of State for Transport Jean-Baptiste Djebbari said this morning on RTL.

#### **He also announces that low-cost operators will join this approach.**

"We will take a decree for environmental reasons, compatible with European law, so that there will be no distortion of competition. (...) The lines will be withdrawn in consultation with the regions," he says.

***My comment:** This government decision, linked to the ban on Air France operating certain routes to Orly, was eagerly awaited.*

*But what about the 50% reduction in CO2 emissions imposed on Air France? Logically, this reduction should apply to all airlines operating in*

*France on the domestic network.*

## ***End of press review***

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

**The Air France-KLM share closed at 4.356 euros on Monday 22 June. It is down sharply by -6.96% over one week.**

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 4.59 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 down slightly from \$1 to \$40.** Announcements of the start of deconfinement give 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 enable me to 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.

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# | François Robardet

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