

Air France completes the painful restructuring plan of its subsidiary Hop!



## I Letter from the Director Air France-KLM

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

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### *Editorial*

*Dear readers,*

*At the end of the press review, Air France-KLM employees and former employee shareholders will find some valuable advice.*

*I would like to take advantage of the last letter of the year to thank those without whom this letter would not exist: journalists.*

*In France, 20minutes, Aeroweb, AFP, Air&. Cosmos, Air Journal, BFM TV, Boursier com, Business Insider, Business Travel, Capital, Challenges, FranceInfo, L'Express, La Quotidienne, Le Figaro, le JDD, Le Journal de l'Aviation, Le Parisien, Le Point, L'Écho Touristique, Les Echos, Libération, L'Opinion, Reuters, RTL, TourMaG, Voyages d'affaires, La Lettre A, La Lettre de l'Expansion, La Tribune, L'Usine Nouvelle, Zonebourse, ...*

*Abroad, Airliners, Algemeen Dagblad, Belga, Bloomberg, De Telegraaf, De Volkskrant, Het Financieele Dagblad, Luchtvaartnieuws, Nederlands Dagblad, NH Nieuws, NRC, Zakenreis, ...*

*I wish you a merry Christmas and a happy New YearContinue to*

*apply the protection rules.*  
*François*

## ***Monday's Press Review***

### **> Air France completes the painful restructuring plan of its subsidiary Hop!**

(source Les Echos) December 22 - **After months of discussions, negotiations on the Hop! restructuring plan, the last part of the Air France group's restructuring plan, have ended on a rather bitter note for the regional airline's employees.** In all likelihood, the management's project presented Monday 21 and Tuesday 22 December in CSE, which plans to cut 1,007 jobs out of 2,400 by 2022, will not be approved by the unions.

**The main pilots' union, the SNPL-Hop, has already announced its refusal to sign this plan,** which aims to cut 317 jobs out of 747 in cockpits, 286 in cabin crew and 404 in ground staff. This refusal will not prevent the management from submitting its plan to the Direccte (labor directorate) in early January, for implementation at the end of January. The mood is all the more gloomy since, despite the stated desire to favor voluntary departures and transfers at Air France and Transavia, **forced departures cannot be ruled out. This would be almost unprecedented at Air France.**

This is at least the fear expressed by the SNPL-Hop, for whom "dismissals of flight captains (CDB) are to be expected". The management has set a target of about 150 voluntary retirements and 170 departures to Air France and Transavia, for an estimated overstaffing of about 180 CDBs and 140 OPLs [co-pilots, NDRL]," explained the SNPL. But about 60 CDBs do not meet the conditions for early retirement. **"As for switching to Air France, the reclassification rules imposed by the SNPL Air France to preserve the seniority list oblige a Hop! captain to pass the selection process for entry to Air France and to restart as a co-pilot - with half the remuneration**

This is all the more unacceptable since management has lowered the hiring bonuses intended to partially compensate for the loss of salary," the SNPL points out. In the end, CDB's overstaffing will therefore continue. **"Same problem for the Hop! stewards, who will also have to accept to lose their seniority and start at the bottom of the ladder to move to Air France,** with a loss of salary, partially

compensated by a departure bonus. As for ground staff, they will keep their seniority when they join Air France, but most will have to agree to leave the province to come and work at Roissy-CDG. This should again limit the number of applicants.

**On the management side**, while acknowledging that the absence of forced departures will depend on the number of candidates leaving, it **was noted that the voluntary departure plan will remain open for two years**. This is the time needed to meet the needs of Air France and its low-cost subsidiary Transavia by 2022-2023 and to encourage voluntary departures, it is assured. In the meantime, an APLD agreement for partial activity, currently being finalized, should make it possible to absorb the cost of overstaffing. **As for the loss of seniority, this would be the necessary condition for preserving labor peace with Air France's flight crews.**

However, the success of this redundancy plan will depend, above all, on its date and the strength of air traffic. For the time being, the Air France group is still struggling to keep its employees busy, despite the voluntary departure plans already launched in the various employee categories, for a total of 6,560 jobs. Nor is Air France in a position to keep the hiring promise made to some 110 pilots - cadets and others - before the crisis.

**My comment:** *As the author of the article anticipated, "the CSE of the airline company HOP! has opposed in the night of Wednesday to Thursday to the departure plan providing for the suppression of 1,007 jobs, promising "a big legal battle" if this one is approved" (source AFP).*

*One of the main stumbling blocks concerns the loss of seniority for pilots and flight attendants who would move from Hop! to Air France.*

*There are two types of seniority:*

*. **administrative seniority**, which begins with joining the company. In the event of collective redundancies, the order of redundancies takes into account the employee's seniority in the establishment or company.*

*. the **technical seniority**, which starts with the beginning of the career as a sailor.*

*For pilots, it is materialized by the classification in the LCP (professional ranking list). The LCP governs all career acts. The typical career for pilots is to start as a medium-haul co-pilot, then as a long-haul co-pilot, then as a medium-haul captain, then as a long-haul captain.*

*In almost every company in the world, the integration of new pilots is a source of difficulty. There have been cases where a merger of two airlines failed because it was impossible to find a compromise to merge the LCPs of the two companies.*

*To get around the problem, some companies have chosen to separate **administrative seniority** from **technical seniority**. Aircrew from a subsidiary company retain their administrative **seniority, which** may prevent them from being the first licensees. On the other hand, they lose their **technical seniority and** start their medium-haul co-pilot career again.*

*Air France did not choose this compromise, to the great displeasure of the HOP pilots!*

### > **USA: Airline companies rehire unemployed employees**

(source AFP) December 22 - U.S. airlines **United Airlines and American Airlines confirmed Tuesday that they will recall employees laid off during the pandemic after Congress voted on a new support plan.**

After months of tough negotiations, U.S. lawmakers approved a \$900 billion package on Monday evening [Dec. 21], which includes \$15 billion for the airline industry and requires carriers to reinstate laid-off employees, regularize wages and retain staff until March 31, 2021. **United Airlines**, which has shed 13,000 employees since the beginning of the pandemic, welcomed the new measures, but **warned that the re-hiring would be temporary.** "We don't expect consumer demand to change significantly between now and the end of the first quarter of 2021," the company's chief executive officer, Scott Kirby, and its president, Brett Hart, announced in a note to employees . American Airlines, which laid off 19,000 employees in October, said in a statement that the financing "will allow us to bring back laid-off team members and restore air travel to cities that count on us.

***My comment:** United Airlines' announcement of the temporary nature of the re-hires does not bode well for former (future) employees of this company.*

### > **Qantas and Japan Airlines to create a joint venture company**

(source BusinessTravel) December 23 - **Qantas and Japan Airlines unveiled their joint venture project for flights between Japan and**

### **Australia / New Zealand.**

An application has been submitted to regulators in Australia and New Zealand, with a decision expected within six months. Provided it is approved, the joint venture could come into being in July 2021, at which time Qantas "expects its international network to gradually restart".

**The carriers believe that the agreement "would allow Qantas and JAL to increase flights between Australia and Japan much faster than would otherwise be possible".** The joint venture will enable the launch of a new route between Australia and Japan, the details of which would be announced "once regulatory approval is received, borders reopen and demand returns".

It is **initially proposed that the joint venture will last for five years** (...).

Last month, Alan Joyce, CEO of the Qantas Group, said that once vaccines become readily available, proof of a vaccine would be "a necessity" for passengers wishing to travel abroad, adding that the requirement would be a "common thing" in the aviation industry. Qantas also recently announced an expansion of its domestic network, following what it calls an "influx of frequent flyers from competing airlines using Qantas".

### **> Easyjet postpones Airbus A320neo deliveries for several years**

(source Le Journal de l'Aviation with AFP) December 22 - **EasyJet has reached an agreement with aircraft manufacturer Airbus to postpone the delivery of 22 aircraft to 2027 and 2028, which was scheduled between 2022 and 2024, in order to preserve its cash flow.** The airline group added that 15 planned delivery dates will also be moved between 2022 and 2024 "to adjust more precisely to seasonal requirements". In

light of these changes, "EasyJet will receive no deliveries in 2021, followed by eight deliveries in 2022, seven in 2023 and 18 in 2024," the airline said, noting that **"the total number of Airbus A320neo Family aircraft ordered remains unchanged"** (...).

To survive the historic aviation crisis, EasyJet has considerably strengthened its cash position in recent months through aircraft sales, a capital increase, a loan from the UK government, and restructuring with the elimination of up to 4,500 positions, or nearly one-third of its workforce.

***My comment:*** *It is difficult to predict how and when air traffic will pick up*

*again. All airlines are negotiating with manufacturers to defer their aircraft orders.*

### > **Tours Airport: Ryanair subsidies reduced**

(source La nouvelle république) December 22 - Emmanuel Denis agrees: his surprise resignation from the presidency of the airport's joint union last Thursday "was not thought out for a long time". The mayor of Tours visibly caught the fly when other elected officials of the Smadait accused him of playing his own part by announcing (without consultation) the closures of the Marseille and Marrakech lines. "I wanted to throw a paving stone in the pond," said the interested party. It was very bad for him. In 72 hours, the elected ecologist was seriously reframed by his partners who reminded him that he did not have a free hand within the metropolis in particular.

In spite of everything, Emmanuel Denis wants to be positive: "Through this episode, everyone has become aware of the stakes and constraints of this issue, which involves a lot of public money. We exchanged as it had not been the case until now," he is delighted.

Today, **the mayor of Tours is** no longer in charge of Smadait, but he intends to remain involved in a file he has scrutinized in recent months. More than ever, he is **militating for a "virtuous operation" of the airport; that is to say a reduction in costs and subsidies allocated to Ryanair.**

The economic situation is in his favor. **Over the next six months, Smadait will suspend a large part of its payments to the low-cost company** for the routes currently at a standstill because of the health crisis (only the Porto route is operating). **These savings (€1 million) will be used to partially finance the additional expenses generated by the departure of the army and the implementation of a fire department within the** framework of a new European certification.

In the longer term, Emmanuel Denis does not despair of calling into question the Marseille line (which could reopen in the spring) in the name of ecological transition and competition with rail. On this specific subject, opinions seem to converge. **"A new economic model must be developed for this airport . Ryanair is not a model for the future,"** says the new mayor of Tours, who clearly intends to keep his election promises.

**My comment:** *It is impossible to know the exact amount of subsidies received by Ryanair, as they are not included in the accounts of Ryanair Holding. According to an investigation conducted by the APNA, they are paid to shell companies domiciled in tax havens in Europe (Jersey, Isle of Man). These subsidies would represent 25% of Ryanair's turnover.*

*When legal action is taken against these practices, Ryanair is condemned to return the sums received. In France, the European Commission has pinned the airports of Montpellier, Nîmes, Pau and Angoulême.*

*Last November, Jean-Baptiste Djebbari (French Minister of Transport) and European deputy Karima Delli (President of the Transport and Tourism Commission in the European Parliament) denounced the unfair competition from low-cost companies.*

*Will they support the approach of the mayor of Tours?*

## > **AirAsia X's major difficulties could cost Airbus a lot of money**

(source Boursier com) December 22 - **Airbus** has so far handled the unprecedented crisis in the airline industry rather well. In particular, the aeronautics giant has managed to limit order cancellations, unlike its major competitor Boeing. But things could get a little tougher, especially in Malaysia, where AirAsia X's great difficulties could cost it dearly. The European aircraft manufacturer **could lose more than \$5 billion in aircraft orders if the low-cost airline's financial restructuring plan is implemented.** According to a court document obtained by 'Reuters', **Airbus has joined a dozen creditors who are challenging Air Asia X's plan. (...)**

The carrier recently indicated that it would continue to engage with its creditors to alleviate the concerns, adding: "the alternative to the plan is a liquidation of the airline without any return to creditors". In a December 17 affidavit seen by Reuters, Air Asia X reportedly revealed that it owed Airbus Ringgit 48.71 billion (\$12 billion), including pre-delivery payments for the purchase of 118 aircraft.

**The aircraft lessor BOC Aviation Limited also opposes the restructuring plan envisaged by the Asian carrier, considering the operation 'unfair' insofar as it cancels 99.7% of the claims without offering creditors an equity stake.** BOC, which became one of Norwegian Air's major shareholders in May after agreeing with other creditors to convert debt into equity, also questioned AAX's debt calculations, given that most of the amount relates to undelivered Airbus

aircraft orders. "Aircraft purchase commitments cannot be considered an accurate assessment of accumulated and crystallized debt," according to a group executive.

However, **the restructuring plan must be approved by the creditors who hold at least 75% of the total value of the debt. However, Airbus alone would own nearly 75%, which would give relatively little weight to the other lenders (...)**

***My comment:*** AirAsia X is a subsidiary of AirAsia, based in Kuala Lumpur, Malaysia.

*AirAsia X is a low cost airline. Like Norwegian, it struggles to make its long-haul routes profitable.*

## > **EU plan for airport slots causes fire in the industry**

(Reuters source, translated with DeepL) Dec. 16 - An EU plan to restore competition for airport slots next year has drawn criticism from major airlines, which warned it could lead to a return of empty "ghost flights." The suspension of rules governing take-off and landing rights at once busy airports, introduced at the beginning of the COVID-19 pandemic, has become more contentious. Low-cost airlines are anxious to see a return to normal rules requiring incumbents to use 80% of their slots or give up some of them to their rivals.

**The European Commission's proposal aims to reinstate the "use-it-or-lose-it" rule for the northern summer season, which begins in March 2021, but with a lower threshold of 40 percent.**

Transport Commissioner Adina Valean said **the plan announced Wednesday would "strike a balance" between fair competition and relief for airlines affected by the air transport crisis.**

"The effect of the current exemption is to freeze competition at 2019 levels without the need for capacity to be effectively used," according to the proposal, first reported by Reuters. "It is time to establish a path back to normal application of the use-it-or-lose-it rule".

But aviation industry groups led by the **airline body IATA said the EU plan "does not sufficiently address the extent of the continuing crisis in air transport,"** and called on governments and European parliamentarians to intervene. **If left unchanged, it "could force airlines to operate 'ghost flights',"** they said in a statement. Prior to the derogation, some carriers were flying empty to avoid losing slots, which caused outrage among environmentalists and the general public.



IATA and the ACI group of airports had proposed a scheme allowing airlines to temporarily surrender surplus slots and use only 50 percent of those they held, without losing their rights the following year.

**My comment:** *On saturated airports (for example Orly and Schiphol), airlines have slots to take off or land. In order to keep them from one year to the next, they are normally required to operate them at 80%.*

*Because of the pandemic, this rule has been suspended for the summer 2020 and winter 2021 seasons.*

*For the next summer season 2021, the airline industry proposes :*

*- Airlines that surrender a full series of slots by early February would be allowed to retain their operating rights in those slots in the summer of 2022.*

*- A lower operating threshold for the retention of slots for the following season. Under normal industry conditions, the threshold is set at 80-20. The World Airports Slot Board (WASB) recommends that it be 50/50 for the 2021 summer season.*

*- A clear definition of acceptable non-use of a slot. For example, force majeure resulting from short-term border closures or government-imposed quarantine measures.*

*The European Union's Commissioner for Transport is proposing an operating threshold of 60-40, below the companies' wish.*

*It is likely that by March (the beginning of the summer season), the evolution of the health crisis will favour the emergence of a compromise.*

## > **Bonus Article**

### > **Spend the first half of the year and then get back on track**

(source Le Journal de l'Aviation) December 22 - Let's remember one year ago. 2019 had been a relatively good year for aeronautics, although disrupted by trade tensions between the United States and China, the grounding of the Boeing 737 MAX and, in France, the disappearance of two airlines. At that time, 2020 promised to be better in every respect: a truce in trade tensions was underway while fuel prices remained low, and the IMF saw the threat of recession fading away.

And then...

Recession, the world is in the middle of it - with the notable exception of China, where it all started. A year later, the entire aviation sector is devastated, falling back decades after going through the worst crisis in its history. The production rates of aircraft manufacturers and their subcontractors have been cut in half, airlines are grounded and survive thanks to the same state aid they used to denounce from certain competitors and/or thanks to freight, which has proved to be an unlikely lifeline after months of decline. Globalization, however, has not stopped and far from it.

DHL's Global Connectivity Index shows a dramatic recovery in the global economy. "The flow of people in 2020 has been historically low, due to confinement and travel restrictions. ...] All other types of flows - trade, capital and information - have, however, remained at a surprisingly high level. International trade recovered strongly after a sharp decline at the beginning of the pandemic. "

Would 2021 then open up under better auspices? The promises of vaccines have given hope to the entire economy and freight will be able to confirm its crucial role, showing that it can manage their distribution, while ensuring that international trade, so essential to economies, is maintained.

But as everyone knows, this year promises to be another challenging one. It will take time for these famous vaccines to be widely distributed and for the pandemic to recede. The appearance of mutations considered more contagious in the United Kingdom and South Africa has once again demonstrated that governments are reacting without consultation, thus putting a damper on the prospects of harmonizing health procedures and thus on the rapid resumption of passenger flights. Airlines thus risk maintaining a skeleton network for a few more months, if only they survive the expiry of government aid, moratoria and the explosion of their debt. And the industry as a whole could therefore remain on the ground for some time and watch the global economy rebound from Zoom.

**If there won't be a party this time around, the New Year will at least allow us to draw a psychological line under 2020, where aeronautics has hit rock bottom.** We know that the rebound will not arrive at the first glimmers of 2021 since this new year will open up to confined countries and this symbol of a United Kingdom that has never been so isolated, cut off from Europe by the Brexit and the world by the Covid. **But the return of summer will also be symbolic and should finally allow the sector to begin its resurrection in a better controlled sanitary environment and populations eager to get out of their confinement.**

## *End of the press review*

### > **Advice for employee and former employee shareholders**

In January, you will receive statements from Natixis and/or Société Générale. By default, these statements are sent by post.

You will find on my website

<http://navigaction.com/Vous/Vendre%20acheter.htm> how to access the managers' websites.

To avoid forgetting to change your contact details each time you change your address, **I advise you to enter a personal e-mail address**. It will be used for all correspondence with the management bodies.

Keep all the documents relating to your Air France-KLM shares in one place: all your correspondence received from the various managers, Natixis, Société Générale, your personal financial institution if you purchased your shares through it.

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

The **Air France-KLM share is at 5.016 euros** at the close of trading on Monday 28 December. It is up +11.59% over one week. The reopening of flights to Great Britain and the announcement of an agreement on Brexit are at the origin of this increase.

Before the coronavirus epidemic, the Air France-KLM share was at 9.93 euros.

**The average (the consensus) of analysts for AF-KLM shares is 3.10 euros**. The highest target price is 5 euros, the lowest is 1 euro. You can find on my blog the details of the analysts' consensus. I no longer take into account the opinions of analysts prior to the beginning of the health crisis.

**The barrel of Brent oil (North Sea) is stable at \$51**. Since the announcement of a potential vaccine, the price has increased by \$12 (+30%).

At the beginning of the coronavirus epidemic, it was at \$69.

**This indicative information in no way constitutes an incitement 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 related to the Air France-KLM group or to employee shareholding...**

See you soon.

To find the latest press reviews of Monday, it is [here](#)

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New readers will be able to receive it by [giving me](#) the email address of their choice.

**| François Robardet**

**Director Air France-KLM representing employee shareholders PNC and PS.**

**You can find me on my twitter account @FrRobardet**

When I was elected, I received the support of the CFDT and the UNPNC.

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

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