

Rendering niches?



I Letter from the Director Air France-KLM

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Monday's Press Review

> **EU: wie steun wil, moet 'slots' inleveren (Those who want support must give back slots)**

(source NRC translated with DeepL) February 11 - Which airline is allowed to land at Schiphol every Monday morning at 9 am? Which airline is allowed to take off from Paris Charles de Gaulle every Tuesday evening at 8 p.m.?

Such examples seem unimportant at a time when aviation is virtually at a standstill because of the crown. But **in European aviation, these "slots", as the agreements that airlines make with airports are called, are the subject of a fierce battle.** When, where and with which aircraft can they land and take off?

Slots can be worth millions. They are the subject of lively trade: allocation is strictly regulated. Slots will also become scarcer. If aviation has to reduce its activity in order to reduce the nuisance for residents and CO2 emissions, the number of takeoffs and landings will simply decrease.

The European Commission plays a central role in the current battle for slots. **The Commission demands that airlines that wish to benefit from new public aid eventually give up certain slots.** These are so-called "remedies" to state aid. **In May**, for example, **the Commission decided that the German government could grant 9 billion euros to Lufthansa, but that the airline would then have to give up slots at**

Frankfurt and Munich airports.

With the remedies, Brussels hopes to keep the European market open to some extent, even if not all airlines receive the same amount of support.

(...)

According to reports in the French financial press, **the European Commission will also require Air France-KLM to give up its slots.**

At the beginning of February, the business newspaper La Tribune reported 24 daily slots in Paris' second airport, Orly. This would be a setback for Air France. The company was hoping to use Orly more for leisure flights by its subsidiary Transavia.

Although the European Commission has not yet published the conditions, French Minister Jean-Baptiste Djebbari (Transport) has already reacted negatively. According to him, Lufthansa's conditions should not be adopted as a model, Djebbari said in an interview with the business channel Bloomberg TV. **We want something proportional that takes into account not only competition but also the "social reality" in the aviation sector".**

The French minister argued that it is precisely the low-cost airlines that are competing unfairly (...).

The Dutch government also seems to expect the European Commission to require KLM to give up its slots. During a debate in the Dutch parliament on state shareholdings, Minister Wopke Hoekstra (Finance, CDA) said he thought the demand was logical (...).

My comment: *It is difficult to accept the point of view of the European Commission. Does it really think that it will help airlines to survive by depriving them of a significant part of their activity?*

Other ways are possible. Just look at the other side of the Atlantic.

In the United States, \$40 billion had been allocated to airlines in 2020. The aid was conditioned on the absence of layoffs. And since they are not enough, the House of Representatives is going to propose a new aid package of \$14 billion for the airlines.

The rules that the European Commission is enacting suggest that it does not believe in the recovery of airlines.

> Air France-KLM: towards an airport hydrogen industry

(source: CercleFinance) February 11 - **The Île-de-France Region,**

Choose Paris Region, the ADP Group, Air France-KLM and Airbus are launching a groundbreaking call for expressions of interest (AMI) to explore the opportunities offered by hydrogen at Paris Region airports and meet the challenge of decarbonizing air transport activities.

This international call for expressions of interest is part of the energy transition strategy, initiated in France and supported by the European Commission, which will continue with the arrival of the zero-emission aircraft announced for 2035.

Aware that the advent of hydrogen will revolutionize the way airport infrastructures are designed and operated, **the partners want to anticipate and support the changes that should make it possible to transform the Paris airports into true 'hydrogen hubs'.**

(...)

The five partners share a common ambition to identify and qualify research advances and technologies, then test economically viable solutions that will meet the needs of hydrogen use at an airport in order to prepare, in the medium term, for its distribution and use on a larger scale, particularly with a view to hosting the future hydrogen-powered airplane.

Unheard of in the air transport industry, **this call for expressions of interest is based on three themes:**

- the storage, transport and distribution of hydrogen (gaseous and liquid) in an airport environment (storage systems, micro-liquefaction, aircraft refueling, etc.);
- the use of hydrogen in the transport sector (hydrogen storage, transport and distribution.);
- the diversification of hydrogen uses in the airport and aeronautics fields (ground handling vehicles and vehicles, rail transport at airports, energy supply to buildings or aircraft during ground operations, etc.);
- the circular economy around hydrogen (recovery of hydrogen dissipated during liquid hydrogen refueling, recovery of a co-product of a reaction to produce decarbonated hydrogen, etc.). (...)

My comment: Why Hydrogen? Small reminder (source Les Échos)

Hydrogen can be stored in large quantities, which is not yet the case for electricity, despite the progress of battery storage. Hydrogen can then be reconverted into electricity, playing a crucial role in the massive development of renewable energies.

Wind and solar energy are by nature intermittent and not controllable: the sun does not shine 24 hours a day and the wind does not always

blow. Hydrogen will make it possible to store excess electricity produced at certain times and to return it later.

> **First flight with synthetic kerosene with KLM**

(source Le Journal de l'Aviation) 8 February - **KLM, Shell and the Dutch government announced** on 8 February, at an international conference on sustainable aviation fuels in La Hague, **that KLM had made the world's first flight partially fuelled with synthetic kerosene.** It took place in January between Amsterdam and Madrid, in a Boeing 737-800. For this first test, 500 liters of synthetic fuel were mixed with conventional kerosene.

The partners explain that **this synthetic kerosene was produced from CO₂, water and renewable energy sources at Shell's facilities in Amsterdam.** The energy giant **began by recovering hydrogen molecules from water through electrolysis (the system is powered by electricity generated by photovoltaic panels and wind turbines) and heating them to high temperatures with CO₂, which is produced from emissions from its refineries and agricultural waste.** The synthetic gas is catalyzed into a solid and then undergoes hydrotreatment to obtain the desired liquid form.

Pieter Elbers, CEO of KLM, is pleased that the company has led the way and demonstrated the feasibility of using this synthetic fuel in aviation, which he believes holds great promise for making aviation greener in anticipation of the aircraft of the future. "Fleet renewal has made a significant contribution to reducing CO₂ emissions, but increasing the production and use of sustainable aviation fuel will make the biggest difference to the current generation of aircraft," he said. Like sustainable aviation fuels, synthetic kerosene is not close to replacing conventional kerosene. The energy industry has yet to find the means to produce it on a large scale and in a commercially viable manner. (...)

The Dutch government is ready to support such initiatives in order to move as quickly as possible towards the European goal of getting European companies flying with sustainable fuel (biofuel or synthetic kerosene) by 2050.

My comment: *Engine manufacturers already guarantee that their engines can run on 50% biofuel. To date, seven production processes have been certified.*

As for synthetic kerosene, it is made from CO₂ recovered from the atmosphere. It is the most promising solution for producing green

kerosene. The main constraint is to have enough green electricity to produce it.

> **Kenya Airways stapt uit KLM-spaarprogramma BlueBiz (Kenya Airways withdraws from KLM's BlueBiz frequent flyer program)**

(source Luchtvaartnieuws translated with DeepL) February 10 - **Kenya Airways will no longer be a partner in the BlueBiz program as of February 28.** The withdrawal of Kenyans means that the BlueBiz program will now include four airlines: KLM, Air France, China Eastern Airlines and China Southern Airlines.

BlueBiz is KLM's savings program that allows companies to earn Blue Credits that they can then spend on new airline tickets. One credit is equivalent to one euro.

The disappearance of Kenya Airways means that BlueBiz member airlines can no longer book flights with Blue Credits and can no longer save credits. An exception is made for flights operated by Kenya Airways in code-share with other airlines, which are for example booked with KLM.

For the time being, Kenya Airways will continue to participate in Flying Blue, the Air France-KLM frequent flyer program. (...)

Late last year, Air France-KLM and Kenya Airways announced that they would dissolve their joint venture in 2021. As a result, cooperation will be less close on flights between Europe and Africa.

***My comment:** BlueBiz is an Air France-KLM frequent flyer program specially designed for small and medium-sized businesses. The bonuses are not nominative, companies can freely dispose of them for all their employees.*

> **British Airways wants to operate flights on "clean" fuel from 2022 onwards**

(source Le Figaro with AFP) February 9 - **British Airways (BA),** a subsidiary of the IAG Group, **said in a statement that it will invest** an undisclosed amount **in LanzaJet, a young company that** will launch this year the construction of its first commercial plant in the state of Georgia.

Founded in 2020, LanzaJet **specializes in aviation fuel made from ethanol** (which comes from agricultural waste, among other sources) blended with gasoline, which makes it less polluting. Using this fuel

results in a reduction of more than 70% in greenhouse gas emissions compared to traditional kerosene, which is equivalent to taking 27,000 gasoline or diesel cars off the road each year, says BA.

The goal is to purchase fuel from the start-up, which includes Japanese conglomerate Mitsui and Canadian oil company Suncor among its investors, to power some of the aircraft in the company's fleet starting in late 2022. **The agreement also provides for examining the possibility of building a production plant in the United Kingdom.**

This partnership should help the company achieve its goal of becoming carbon neutral by 2050. It is in addition to the one already in place with another company, Velocys, which consists of building a plant in the United Kingdom that will produce clean fuel from waste emitted by individuals or companies starting in 2025.

(...)

While waiting for "clean" fuels, British Airways says it is already taking steps to reduce its carbon footprint by using less fuel-intensive aircraft or by using compensation mechanisms. The latter, contested by NGOs, consist of financing green projects to balance emissions. And **in the longer term, the company is working on technological solutions such as non-polluting hydrogen-powered aircraft and CO2 capture.**

***My comment:** British Airways makes the same observation as the Air France-KLM group.*

To meet the greenhouse gas reduction targets set by the Paris Agreements, it must take action without waiting for the changes envisaged by aircraft and engine manufacturers.

> Singapore Airlines converts 787-10 to 777-9 and postpones investments for the fleet

(source: Le Journal de l'Aviation) February 9 - **Singapore Airlines announced that it will defer more than \$3 billion in aircraft spending beyond 2025**, after revising its delivery schedule with Airbus and Boeing.

The Singaporean carrier also revised its backlog with Boeing, converting fourteen Boeing 787-10 aircraft to an additional eleven 777-9s to meet its long-term fleet requirements beyond fiscal year 2025/26.

The 777-9 backlog now stands at 31 aircraft. (...)

***My comment:** Singapore Airlines was one of the first airlines to be recapitalized at the end of the first half of 2020 (more than nine billion euros).*

The absence of a recovery in activity is leading the Asian airline to find new ways to preserve its financial liquidity.

> **CMA CGM releases Air Caraïbes and launches solo air cargo business**

(source La Tribune) February 12 - **Hard blow for Air Caraïbes and French Bee, the two airlines of the Dubreuil Group. The marriage with CMA CGM fell through.** The memorandum of understanding signed in September between CMA CGM and the Dubreuil Group on the takeover by the shipping giant of 30% of the capital of Groupe Dubreuil Aero (GDA) will not take place. Unveiled this Friday by Le Figaro, the information is confirmed by the shipping giant. **CMA CGM will attempt its adventure in solo air cargo** by creating an air cargo division called CMA CGM Air Cargo, composed, according to our information (...) of four Airbus A330-200s, all operated by Air Belgium, an airline based in Liege. (...)

According to some sources, the decision not to take a stake in Air Caraïbes is explained by the deteriorating relations between CMA CGM President Rodolphe Saadé and the President of the Dubreuil Group, Jean-Paul Dubreuil, both of whom have strong personalities. (...)

The rescue of Corsair has also changed the economic equation for the Air Caraïbes-French Bee couple. Maintaining an additional operator in the West Indies and Reunion Island is necessarily less remunerative, and can only influence the "valorisation" of the Dubreuil Group companies. (...)

A divorce with CMA CGM is a very hard blow for Air Caraïbes and French Bee. Not only are they losing the support of an extremely solid group that assured them of a smooth passage through the air transport crisis, but they are also faced with competitors strengthened by rescue plans involving the State (Air France, Corsair, Air Austral), whereas they were in a worse situation before the crisis. Indeed, for years, Air Caraïbes and French Bee have been the most successful French airlines. The blow is all the harder as traffic to the Caribbean and Reunion, relatively resilient so far, is in turn hit hard by the drastic travel restrictions.

> **Boeing: Emirates does not expect to receive its first 777X until 2024**

(source Boursier com) February 10 - The President of Emirates Airlines does not expect to receive his first 777X before the first quarter of 2024. **Boeing recently postponed the first deliveries of its future wide-body aircraft by one year, to the end of 2023 at the earliest. The U.S. giant also recorded a \$6.5 billion charge on the program due to lower-than-expected demand and a longer and more costly certification process.** "The 777x was scheduled to arrive in June last year. Now it is unlikely to do so, I think, before the first quarter of 2024," said Tim Clark at a virtual summit hosted by aviation consulting firm CAPA.

The 777X will be the first Boeing aircraft to be certified since the 737 MAX case and the Seattle-based company's relationship with the U.S. Federal Aviation Administration (FAA).

Emirates had initially ordered 150 units of the 777X series, which can seat up to 406 people, before revising its ambitions to 126 units. Qatar Airways, Etihad Airways, British Airways, Cathay Pacific Airways and Singapore Airlines are also among the airlines that have opted for the 777X.

> **Abandonment of T4 at Roissy airport: other expansion projects on hold?**

(source Le Figaro) February 10 - "This airport must adapt to tomorrow's world": Barbara Pompili reacts to the abandonment of the Terminal 4 project at Roissy:

"We look at each case, we have to adapt to see if the projects are in adequacy [with the environmental policy]". **Questioned this Friday, February 12 on RTL, the Minister of Ecological Transition Barbara Pompili went back on her announcement of the day before, namely the abandonment of the project to expand Roissy airport. The construction of a fourth terminal (T4) is deemed "obsolete", and as such must be blocked - or at least amended,** the government having asked Aéroports de Paris (ADP), to present a new project "consistent with the objectives of the fight against climate change".

ADP is far from being the only airport group to see its expansion project stalled. According to a calculation by Le Parisien, **9 of the 15 busiest airports in France are planning to expand. It is this dynamic that the "climate and resilience" bill,** led by Barbara Pompili and presented to the Council of Ministers on Wednesday, February 10, is **trying to curb.**

The text, inspired by the conclusions of the climate convention, provides that airport expansion projects should be fairly strictly limited. From 2022, these projects "cannot be declared of public utility for expropriation if they result in a net increase, after compensation, of

greenhouse gas emissions" in the aviation sector. Barbara Pompili wants to pave the way for "tomorrow's airports, capable of handling aircraft with greener fuel. We can do big projects, but not by concreting the ground," she assures.

Are certain projects going to suffer the same fate as Roissy's T4?

Nice Côte d'Azur Airport, France's third largest international hub (after Charles de Gaulle and Orly), is to equip its Terminal 2 with a 25,000m² extension, with six new gates.

(...)

Also in Provence-Alpes-Côte d'Azur, **the Marseille-Provence airport** obtained its building permit at the end of 2020 for an extension that should increase its capacity. The airport, which currently handles 10 million passengers a year, hopes to reach a capacity of 18 million people in 2045.

The extension project of **Lille-Lesquin airport** is also the subject of debates concerning its environmental impact. Led by Eiffage, he plans to double the surface area of the airport to allow it to accommodate four million passengers per day by 2039, against 2 million currently

(...)

For Emmanuel Brehmer, chairman of the board of the **airport Montpellier-Mediterranean**, the extension is urgent: "The metropolis needs an airport with more than 3 million passengers," he said, while the airport of Montpellier has already inaugurated an expansion in 2019.

The general rule laid down by the future law, namely the respect of an environmental imperative for any construction site, knows several exceptions. The text of the law indeed specifies that the project of expansion of the airport of Nantes-Atlantique could be carried out without taking into account the new requirements. By abandoning the Notre-Dame-des-Landes airport project in 2018, contested by activists who had made it a Zone à Défendre (ZAD) for a decade, the State had in fact decided to expand this airport in return. The project will increase the surface area of the Nantes-Atlantique airport by 30% by 2025, and allow it to accommodate 11 million passengers in 2040, compared to about 7 million currently.

Similarly, the expansion of Basel-Mulhouse airport should not be affected by this new law. The EuroAirport should see the surface area of its terminal increase by 30% due to the influx of new passengers. The current terminal, put into service in 2000, only received 2.5 million passengers whereas this figure will be more than 10 million after 2020, according to projections.

Overseas airports are also excluded from the new regulations and will be able to continue their expansions, made necessary in several

territories due to the influx of tourists. In particular, the Roland-Garros airport in Saint-Denis de La Réunion is currently undergoing work to be able to handle 3.2 million passengers per year in 2022. The Martinique Aimé Césaire airport is also planning an extension of 20,000 square meters by 2022.

(...)

Is it still necessary that the Parliament votes this article as is, when it should be the subject of intense political negotiations in view of the importance of regional airports for local economies. The vote is expected by September 2021.

My comment: *Even before the health crisis, the project for terminal 4 at Charles de Gaulle airport was not unanimously supported. Its abandonment comes as no surprise.*

What will it be like for other airport expansion projects in France?

I don't have an opinion on each of these projects. I can simply recall what I wrote in February 2020 following the announcement of the decision to

halt the Heathrow airport extension project:

"The decision of the British court does not surprise me. In recent years, in similar situations (Mexico City, London, Munich, Nantes, Schiphol, Frankfurt, ...), projects allowing an increase in traffic have been either suspended or cancelled. The impact on the environment was generally the first reason given."

> Europe is again revising the rule on the use of airport slots

(source Le Journal de l'Aviation) February 11 - **The European Parliament updated the rule on the use of airport slots at European airports as of March 27 and for the IATA summer season.**

If they wish to keep their slots for the next season, **airlines will have to use 50% of them, instead of the 80% required before the pandemic.** The Parliament based its decision on Eurocontrol's forecast, which expects traffic to be reduced by half compared to the summer of 2019.

(...)

The Parliament will also allow the European Commission to extend or not its rules to other seasons and to adjust the utilization rate according to the evolution of traffic. The Council has yet to validate this decision.

A4E - with the exception of Ryanair - has already welcomed the

decision, while stressing the urgency of its application and the need to ensure reciprocity with non-EU countries.

***My comment:** Since the beginning of the Covid-19 outbreak, before each IATA season, changes to the rules for the use of airport slots were subject to a vote by the European Parliament. This long process forced airlines to develop their flight schedules late.*

This will no longer be the case. The European Commission will have full latitude to adjust the rules according to the evolution of the health crisis,
es

> **How Covid enables airlines to regain control of their routes**

(source Les Échos) February 13 - Impossible to see it with the naked eye, but many changes are at work in the air, as air travel is shrinking like a sore thumb. Over the **coming weeks, air traffic controllers will give pilots flying transatlantic routes the opportunity to think outside the box and choose their own routes.**

(...)

Expected consequences: reduction of carbon dioxide emissions, and enormous fuel savings for airlines. In normal times, aircraft connecting Europe to North America, one of the busiest routes in the world before the pandemic with approximately 1,700 daily flights, followed a selection of predefined routes, forming a well-defined road network. For Xavier Tytelman, aviation consultant and president of Aviation NXT, this is a small revolution: "Pilots will be able to choose the most suitable altitude and routes, whereas previously there were many routes to which they did not have access.

The experiment, the duration of which is not yet known, is only possible thanks to improvements in the satellite systems used to monitor North Atlantic air traffic. Controllers now have real-time data on aircraft over the ocean. **This modernization, combined with the collapse in the number of daily transatlantic flights (now around 500), means that controllers can do without guardrails.**

(...)

If these tests prove conclusive, they would be beneficial in every respect: airlines could make considerable savings, while reducing their harmful emissions to the environment. Researchers at the University of Reading in England studied 35,000 transatlantic flights last winter and concluded that **allowing aircraft to take better advantage of the shortest routes associated with the most favorable winds could reduce fuel consumption by up to 16%.** This is a considerable saving,

since it is equivalent to the reduction in fuel consumption when purchasing a new-generation aircraft.

Fuel currently accounts for a quarter of airline expenses. And they want to make profound changes to recover from a devastating year related to the Covid pandemic.

(...)

For this inexpensive experiment, which has immediate effects, to work in the long term, the different countries involved must agree on the protocols and software used. "These are quarrels of national chapels, but since there are fewer countries in the North Atlantic area, it is easier to carry out experiments and validate procedures," hopes Xavier Tytelman.

My comment: *The current weakness of air traffic makes it possible to carry out experiments more quickly than in normal times.*

This article relates the search for fuel economy during the so-called cruising flight phase.

Other experiments are in progress.

Thus, since December 2020, the air navigation services of the Paris region have been offering optimized descent procedures to the airports of Paris-CDG and Paris-Orly.

Upon authorization from air traffic control, pilots can optimize their flight path by reducing level flight time in favor of smooth descent, without impacting flight safety.

The aim of these procedures is to reduce fuel consumption and associated greenhouse gas emissions. The expected reduction during the descent phase is estimated at -15%.

End of the press review

> Advice for employee and former employee shareholders

Annual statements from Natixis and/or Société Générale are currently being sent out. By default, these statements are sent by post.

You will find on my [navigaction](#)

website the access modalities to the managers' websites.

To avoid forgetting to change your contact details each time you change your postal 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** closed at **4.927 euros** on Monday 15 February. It is down -2.63% over one week. Since the end of November 2020, the share price has remained around 5 euros.

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 3.31 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 do not take into account the opinions of analysts prior to the beginning of the health crisis.

The barrel of Brent oil (North Sea) is up \$3 to \$63. It has been rising steadily since the end of October 2020.

It is close to its pre-pandemic level of \$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.

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| François Robardet

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

You can find me on my twitter account @FrRobardet

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