

AFI KLM E&M and Triumph form joint venture for nacelle maintenance



I Letter from the Director of Air France-KLM

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

N°802, April 5, 2021

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Monday's Press Review

MRO: AFI KLM E&M and Triumph create a joint venture for nacelle maintenance

(source Le Journal de l'Aviation) April 1 - The merger of Air France Industries KLM Engineering & Maintenance (AFI KLM E&M) and Triumph is taking shape. While the two companies have been working on it since June 2019, **a final agreement has been signed creating a joint venture that will specialize in the maintenance of nacelles mounted on new generation aircraft.**

Specifically targeting customers based in the Americas, the two partners say the work will be performed at Triumph's Hot Springs, Arkansas, repair center.

The joint venture, which will capitalize on the Air France-KLM Group's experience in operating and maintaining new generation aircraft and the Triumph

Group's expertise in MRO services, will offer a full range of services. It will be able to manage operational problems or regular maintenance. In 2019, the partners said they would offer both MRO services and spare parts pooling and would jointly develop repairs for aerostructures and nacelles.

Triumph and AFI KLM E&M say the combination is "the first phase of a strategic collaboration" that will give them a boost to take advantage of

the upcoming recovery. Its effective implementation is still subject to regulatory approval.

My comment: *The creation of this joint venture is part of a long-standing strategy of the Air France-KLM group, similar to that of Lufthansa: to create maintenance centers close to customers, for aircraft that would not come to Europe to be maintained anyway.*

United to hire pilots again as traffic picks up

(source Afp) April 1 - U.S. carrier United Airlines said Thursday it will begin hiring airline pilots again, 300 initially, to cope with the resumption of traffic in the United States.

"With vaccination rates rising and demand for tickets picking up, I am pleased to announce that United will resume the pilot hiring process that was suspended last year," wrote Bryan Quigley, the head of flight operations, in a message to employees seen by AFP.

The idea is not to replace pilots who have seen their hours reduced because of the pandemic, he assured. The number of new hires "will depend on the recovery.

The airlines have taken drastic measures since the beginning of the spread of Covid-19 to reduce their costs, including encouraging tens of thousands of employees to retire, voluntary departure plans or unpaid leave.

(...)

In another sign of renewed activity for airline companies, Delta announced Wednesday that it would no longer block middle seats starting May 1 as it had since the pandemic began, so it could offer more seats for sale.

Delta was the last major company in the United States to propose this measure to ensure a certain distance in the planes. However, masks are still required.

My comment: *In the US, domestic traffic is holding up better than international traffic. Domestic flights are now at 80% of the 2019 supply, allowing US airlines to rehire pilots.*

> Lufthansa Pitches \$6.5 Billion Plan to Raise Capital, Repay Aid

(Bloomberg source, translated with DeepL) April 2 - **Deutsche Lufthansa AG will ask its shareholders to approve a capital increase that would pave the way for the German government to be removed as the largest shareholder.**

The proposed €5.5 billion in fresh capital would give Europe's largest airline enough liquidity to replace a silent stake, which is a major part of Lufthansa's €9 billion state bailout.

Interest rates on the silent participation are set to rise, and the airline may be able to secure better financing through a capital increase, the company said in slides accompanying Thursday's announcement. Lufthansa could decide to raise less than the full authorization, and could issue fresh capital in stages.

(...)

Lufthansa was bailed out last year after the coronavirus pandemic ended a decades-long aviation boom. As part of the plan, the German government took a 20 percent stake and placed strict restrictions on the airline's merger and acquisition activities and executive compensation. By repaying the €5.5 billion silent participation - a hybrid debt/equity instrument that does not dilute shareholders' voting rights - Lufthansa is expected to repay a total of €2 billion to the governments of Switzerland, Belgium and Austria, where it operates national airlines. The company has already repaid 1 billion euros of the amount lent by the German public development bank, KfW.

(...)

My comment: Lufthansa continues its process of repayment of the debt related to Covid-19. To do this, the German company intends to proceed with a capital increase whose maximum amount is close to its market valuation (6.5 billion euros).

Before that, in November 2020, Lufthansa had obtained 525 million euros via a convertible bond issue maturing in 2025. Then, in February 2021, Lufthansa issued a €750 million bond maturing in 2025 and a second one of €850 million maturing in 2028.

The rescue of Alitalia, a headache for Mario Draghi

(source AFP) April 2 - Mario Draghi, head of the Italian government since February, is facing his first explosive dossier on the economic field: **how to save the national flagship Alitalia from bankruptcy, while negotiations on this subject with Brussels are at an impasse.**

If at the beginning of the negotiations in March on the thorny issue of state aid the two parties had welcomed a "constructive" debate, the tone has become much harder since.

(...)

In a letter sent to Rome and revealed by the Italian press, Ms. Vestager expressed her "concern about the lack of substantial progress" in her negotiations with Rome and demanded that the new company supposedly born from the ashes of Alitalia mark a clear break with its ancestor.

The former government led by Giuseppe Conte had created in 2020 a public company to save Alitalia, called Ita, in which it intended to inject 3 billion euros.

(...)

The mandate given by Mario Draghi to his ministers seems clear, but difficult to achieve: "we must negotiate a plan for Ita that will allow it" to fly on its own wings "without burdening the community".

"Italian taxpayers have already had to spend tens of billions of euros over the past 30 years to keep a badly managed company afloat," Massimo Colombo, professor of the economics of innovation at the Politecnico di Milano, told AFP.

(...)

Will Mario Draghi find a solution?

According to Mr. Giuricin, a transport economist at Milan's Bicocca University, "he will not confront Brussels and will seek to reduce the use of public money to a minimum.

***My comment:** For not having known how to reform in time, the former Alitalia risks disappearing.*

Security tax: double punishment for airlines according to SCARA

(source Air Journal) March 31 - **The French government is asking airlines for 550 million euros in safety and security expenses, corresponding, according to SCARA, to the deficit in 2020 and 2021 of the airport tax** - linked to passenger traffic that fell by more than 70% last year due to the Covid-19 pandemic.

According to the Syndicat des Compagnies Aériennes Autonomes (SCARA), the DGAC announced the news on March 26, 2021 "during the annual meeting to present the economic balance sheet of the safety/security function of airports": the deficit of these expenses reaches a total of 550 million euros and will have to be paid by the airlines "over 6 years starting in 2024", the sum being "increased by interest and management fees claimed by the State".

It is therefore a question of making airlines, already strongly affected by the health crisis, pay for "a safety/security service on flights not carried out", denounces the SCARA, speaking of "double punishment". **This sovereign function should however be paid by the State as in other countries**, recalls the union which includes 50% of French airlines, based in metropolitan France and in the overseas territories as well as airport assistance and training companies.

(...)

The Ministry of Transport, questioned by AFP, recalled that the State has granted companies advances of 300 million for 2020 and 250 million for 2021, to "pre-finance the security missions (and) safety on their airport during the health crisis and the fall in traffic. These sums will be reimbursed "from the proceeds of the airport tax (TAP), that is to say, from the price of air tickets paid by passengers, depending on the rate of recovery of air activity," said Jean-Baptiste Djebbari.

***My comment:** French airlines have always complained about a significant disadvantage compared to their competitors: France is the only country to have introduced a security tax.*

Everywhere else, the cost of security is assumed by the State.

> Southwest's new large order will also benefit the Safran group

(source Le Journal de l'Aviation) April 2 - **The 100 new Boeing 737 MAX 7 (737-7) engines ordered by U.S. carrier Southwest Airlines will logically benefit Safran Aircraft Engines through CFM International, its joint venture with GE Aviation.**

The new LEAP-1B engines are valued at more than \$2.8 billion, not including possible spares that may also be delivered to Southwest. The U.S. airline has already taken delivery of 61 737 MAXs, with a total of 348 on firm order and another 270 on option.

As a

reminder, **Southwest Airlines** played a major role in CFM's history by becoming the launch customer for the CFM56-3 in 1984, the exclusive engine for the Boeing 737 Classic. In 1997, the airline also introduced the CFM56-7B as the exclusive engine for the 737 NG generation. Today, the Texas-based low-cost carrier **remains CFM International's largest commercial customer, with more than 700 737 single-aisle aircraft powered by CFM56-7B or LEAP-1B engines.**

> Boeing 737 MAX: FAA certified for Ryanair, delivered

for Blue Air

(Air Journal source) April 1 - **Five and a half months after approving the return to the air of Boeing's re-engined single-aisle aircraft, which were involved in two accidents that killed 346 people at Lion Air and then Ethiopian Airlines, the Federal Aviation Administration (FAA) said March 31, 2021, that it has certified the version of the MAX 8 that can accommodate up to 200 passengers** (instead of the typical 189 in the 737-800 and MAX 8). The "737-8200 incorporates all of the design improvements that came out of the 20-month review of the 737 MAX, including those related to MCAS," the US regulator told The Air Current. The additional seats in this version of the MAX 8 (called the 8-200 by Boeing) resulted in the installation of additional doors, with the densification for the same cabin size coming from a reduction in the space between rows to 28 inches.

Boeing, which has already assembled several aircraft for Ryanair and its subsidiaries Buzz and Malta Air, said in a statement that it continues to "work with global regulators to safely return the 737-8 and -9 aircraft to service. Our teams are also working to ensure that future members of the 737 family meet all regulatory requirements.

The European Aviation Safety Agency (**EASA**), **which gave** the green light for the return of the MAXs in late January, **has yet to certify the 8-200 version before it can take to the runways of Europe's airports.** Ireland's Ryanair increased its order for the denser version of the MAX in December to 210 aircraft, which will carry 197 passengers and was chosen in 2014. Vietnamese low-cost carrier VietJet Air is the only other 8-200 customer to date, with 100 aircraft ordered in 2016.

Based at Bucharest-Henri Coanda airport, the low-cost carrier Blue Air received on Tuesday the first of ten 737 MAX 8s (YR-MAXA) leased from ALC and configured to accommodate 189 passengers; the other nine aircraft are expected between this month and 2022

(...)

My comment: One after the other, airlines are putting their trust in the B737 Max, a plane that has caused the death of several hundred people in two crashes.

For a low-cost airline, whose model is based on the operation of a single type of aircraft, it is almost impossible to change supplier. Ryanair and Southwest will continue to operate B737 Max, or rather B737-8 and B737-9, the new names of this aircraft.

> **Decarbonized aircraft:** British Airways also plays with

hydrogen

(source Air & Cosmos) April 2 - Already involved in sustainable fuels via the IAG group, British Airways is also playing the hydrogen-electric propulsion card with its investment in ZeroAvia.

British Airways (...) is one of the investors who participated in the new fundraising launched by the startup ZeroAvia which develops a hydrogen fuel cell. Flight tests with a six-seat Piper Malibu were initiated in September 2020. The fundraising is for \$24.3 million. The UK government has already committed \$16.3 million. Other ZeroAvia investors include: SYSTEMIQ, Shell Ventures, Summa Equity, Ecosystem Integrity Fund as well as Bill Gates' investment vehicle, Breakthrough Energy Ventures, which has put \$21.4M into the venture. Not to mention the Hong Kong-based venture capital firm Horizon Ventures, founded by billionaire Li Ka-shing.

ZeroAvia is not afraid of anything and announces that the new fundraising will be used to launch the development of a 2 MegaWatt hydrogen-electric powerplant for planes with 50 seats or more. With an ambitious timetable: 2026 as the date of commercialization before moving on to another stage, that of the propulsion of a 100-seat aircraft by 2020. The \$24.3 million raised, in addition to the \$50 million already raised, is just the first step. For its part, EasyJet has partnered with Wright Electric on electric propulsion. And has also signed a memorandum of understanding with Airbus in 2019 on hybrid and electric aircraft.

Through the IAG group, British Airways is also present on sustainable fuels or SAF with, in particular, a \$400 million investment in a green fuel production plant in partnership with Shell and Velocys. Located in Immingham, in the north-east of Lincolnshire (Great Britain), on the estuary of the River Humber, the plant aims to reprocess 500 million tonnes per year of household and industrial waste, normally destined for incineration or landfill, and convert it into 60 million liters of biofuel for use in aircraft or cars.

> **Volotea and Air Nostrum push the financing of the electric plane in Spain**

(source actu-aero) April 2 - **Iberia's regional airline and low-cost carrier Volotea are teaming up with startup Dante Aeronautical to secure European Union financial support for their 19-seat 100% electric aircraft project.**

The consortium formed by the three companies has presented a fleet electrification project to the Spanish Ministry of Transport, Mobility and

Urban Agenda (MITMA) for a total budget of 42 million euros in response to the Ministry of Transport's call for expressions of interest.

This strategic public-private partnership should enable Spain to launch the electrification of its regional air transport and achieve its objectives for zero-emission air transport, an essential link in the ecological transition in the air transport sector. In this respect, it should be remembered that the European objective for achieving neutrality is set for 2050. The project also aims to develop the Spanish economic and industrial fabric and to promote territorial cohesion, say the partners.

Volotea and Air Nostrum plan to transform and electrify their short and medium-haul aircraft fleets used for regional air transport. The project proposes the transformation and electrification of existing aircraft into 100% electric aircraft. **These aircraft could then be deployed on short, low-density routes and to connect islands.**

Dante Aeronautical is the technical leader of the project. The adaptation of traditional 9 to 19 passenger aircraft should save considerable time in the development of future 100% electric air transport solutions by limiting both the investment required and the development and certification time of the aircraft.

The certification of the first aircraft is scheduled for 2024, followed by a period of industrialization and commissioning that will lead to the full operation of several aircraft models in 2026. Volotea and Air Nostrum hope to be pioneers in the use of this technology on regional routes.

My comment: Airlines are multiplying their announcements to demonstrate the relevance of their commitment to sustainable aviation.

Electric plane, hydrogen plane? According to the two articles above, the answer is coming soon: 2024 or 2026. For this timetable to be met, engineers will have to achieve great feats.

Unless sustainable fuels (SAF) get everyone on board.

One thing is certain: commercial aviation has been built on a model of large-scale economics, including the use of a single type of fuel. It is difficult to imagine in the near future that all airports will be able to offer several types of fuel in addition to kerosene.

Therefore, the aviation industry should quickly reach a consensus to

focus on researching a single new fuel type.

End of the press review

> Advice for employees and former employees who are shareholders

The annual statements from Natixis and/or Société Générale must be sent to you by e-mail or by post.

You will find on my [website](#) the access modalities to the managers' websites.

To avoid forgetting to change your contact information 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 organizations.

Keep all the documents related to your Air France-KLM shares in one place: all the letters you receive from the different managers, Natixis, Société Générale, your personal financial institution if you bought your shares through it.

> My comments on the Air France-KLM share price trend

Air France-KLM shares closed at **5.136 euros** on Monday 5 April. It is up +2.47% over one week. Since the end of November 2020, the share price has remained around 5 euros.

Before the coronavirus epidemic, Air France-KLM shares were at 9.93 euros.

The average (consensus) analysts' price for AF-KLM shares is 3.31 euros. The highest price target is 5 euros, the lowest 1 euro. You can find the details of the analysts' consensus on my blog. I do not take into account the opinions of analysts prior to the beginning of the health crisis.

Brent (North Sea) oil is stable at \$65

per barrel. It is at its pre-pandemic level.

The temporary blockage of the Suez Canal by a huge cargo ship has

had no effect on the price of oil.

This information is not intended to be a solicitation to buy or sell Air France-KLM shares.

You can react to this press review or send me 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 to employee share ownership...

See you soon.

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

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| François Robardet

Director of Air France-KLM representing the employees and former employees shareholders of 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 the Air France-KLM shareholding.

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