

Air France in the US, KLM in Asia



I Letter from the Director of Air France-KLM

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

N°813, June 21, 2021

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Election of the members of the supervisory boards of the Air France group employee savings plan

If you hold savings in one of the following Air France Group employee savings funds: Aéroactions, Majoraction, Horizon Epargne Actions, Horizon Epargne Mixte, Horizon Epargne Taux, **you are invited to elect those who will oversee the management of your savings.**

Voters, active or former employees, are currently receiving a letter by e-mail or by post specifying the Internet voting procedures. Please keep it in a safe place.

In each of these funds, there are several lists of candidates.

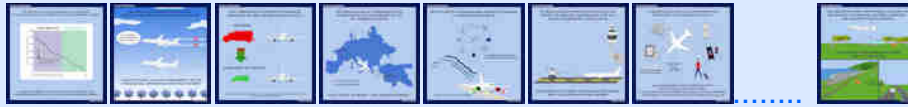
I submit again to the concerned voters the lists "Union-Experience with François Robardet" and invite to vote for them.

Voting will be open from Wednesday, June 30 to Monday, July 19.

Editorial

Dear readers,

I am publishing at the end of this letter the eighth infographic on the climate impact of aviation. It is the last of the series.



These infographics have been produced by specialists with whom I have collaborated. They have each been seen by more than 100,000 people on social networks

*See you soon on our lines.
François*

Monday's Press Review

Air France in the USA, KLM in Asia and the Middle East

(source Air Journal) June 18 - **Air France is offering more than 100 flights a week between Paris and 12 U.S. airports this summer, while KLM has an almost identical schedule for 2019 to the Middle East and Asia.**

While the U.S. has just been placed on the "green list," allowing their tourists to come to the hexagon even without being vaccinated against Covid-19, and globally the number of flights has exceeded 200,000 in one day for the first time since December 2019, the French national airline is putting its transatlantic offer at Paris-CDG back in battle order. This summer, Air France will offer some 100 weekly departures to the airports of New York-JFK, Washington, Boston, Miami, Atlanta, Detroit, Chicago, Minneapolis, Houston, Denver (a new feature, starting July 2), Los Angeles and San Francisco. Twelve destinations have been relaunched, with only Dallas still missing from the list of its pre-pandemic network.

(...)

At its sister company KLM Royal Dutch Airlines, the networks to Asia and the Middle East are "almost the same as in 2019" in terms of the number of destinations served, with frequencies remaining as for Air France in clear decline - and some routes being modified. The Dutch national airline has summarized the most significant changes compared to 2019 from its base in Amsterdam-Schiphol:

KLM will serve 17 destinations in Asia this summer, compared to 19 in

2019.

(...)

In summer 2021, KLM will serve 7 destinations in the Middle East, the same number as in 2019. Riyadh in Saudi Arabia is a new destination, with flights departing twice a week in the summer and then three this winter; flights to Abu Dhabi have been suspended but remain offered as a codeshare with Etihad Airways. KLM expects the capital of the United Arab Emirates "to be reintroduced as a destination in winter 2021," bringing the number of its Middle East destinations to eight.

My comment: *The positive effects of vaccination against Covid-19 are being felt.*

In the most vaccinated countries, economic and social activity is gradually picking up. European and US airlines are seeing a surge in bookings.

Speaking at a roundtable discussion at the Paris Air Forum organized by La Tribune, Ben Smith said on Monday: "I am pleasantly surprised by the speed with which leisure demand is returning. Bookings from our domestic markets to Greece, Italy, Spain and Portugal are strong, and the group is also seeing a strong return of U.S. customers since the reopening of European Union borders to U.S. citizens."

Pascal de Izaguirre criticizes Air France's strategy for services to the French overseas territories

(source Le Journal de l'Aviation) June 21 - Speaking at the Paris Air Forum organized by La Tribune, **Pascal de Izaguirre blamed Air France's strategy regarding service to overseas destinations.** The CEO of Corsair recalled that the company had announced capacity increases of 55% on Reunion and 65% on the West Indies compared to summer 2019, as well as other significant increases for the winter season.

"These capacity increases are completely uncorrelated with the reality of the market. It is quite obvious that we are not going to have traffic this summer in such strong increases compared to a normal pre-Covid situation. "Although he has noted a rebound effect since May, Pascal de Izaguirre believes that it cannot be as significant because of the persistence of travel restrictions. **"The risk is that the situation of overcapacity will lead to a deterioration of the overall economy of all companies serving these destinations"**, because of the price war that it will inevitably involve.

(...)

My comment: *Very early on in the health crisis, airline experts said that the most difficult thing would not be to survive during the crisis, but to withstand the competition when the business picked up again.*

Corsair's CEO understood this.

Zweedse subsidie voor KLM in zoektocht naar duurzame brandstof (Swedish subsidy for KLM in search of a sustainable fuel)

(source Luchtvaartnieuws, translated with DeepL) June 17 - **The Swedish energy agency Energimyndigheten has awarded a 500,000 euro grant to a consortium including KLM and SkyNRG.** The grant will be used to investigate the possibilities of sustainable fuel production in the Växjö region.

KLM is one of the partners in the project, which aims to set up a Fischer-Tropsch SAF production facility **to convert forest waste into renewable fuel, called Sustainable Aviation Fuel (SAF).**

This first Fischer-Tropsch SAF production facility, integrated with existing residue-based energy production, has the potential to produce high-quality renewable fuels and reduce CO₂ emissions in the aviation sector. **The construction of the facility could serve as a proof of concept for many future plants.** The plant could be operational by 2026, with a production volume of 16 kilotons of SAF per year.

The current generation of aircraft engines requires liquid fuels. These aircraft cannot switch to alternative energy sources such as hydrogen or electricity in the short term, nor can airport infrastructure. SAF, as a drop-in fuel, is the solution to drastically reduce CO₂ emissions in aviation in the short and medium term, without the need to modify infrastructure or equipment.

(...)

My comment: *The Air France-KLM group is multiplying its initiatives to encourage the production of sustainable fuel.*

KLM: Airbus A320neo is serieuze optie (KLM: Airbus A320neo is a serious option)

(source Upinthesky, translated with DeepL) June 16 - Will KLM stick with Boeing, or will it follow its French sister company and opt for Airbus?

In an interview with Skift, **KLM CEO Pieter Elbers said fleet renewal is the main way to reduce CO2 emissions.** Other means, such as biofuels and trains, are not (yet) effective enough. (...) KLM is working on fleet renewal. The long-haul fleet has been renewed over the years. It is now the turn of the short-haul fleet.

(...)

KLM's CEO has indicated that the airline will consider replacing its aging fleet with the A320neo family or the 737 MAX family.

Currently, KLM relies on the 737 NG for its single-aisle aircraft needs, with a total of 49 of this type in its fleet.

(...)

The A321neo in particular could be a good replacement for the older 737-900s. When the 737 MAX was grounded for a long period last year, KLM did seem to be thinking in that direction. The A320neo is also a customer favorite. However, a switch to Airbus would require a fleet redesign, which would add cost and complexity. It would also create problems for pilots during the transition period, when the airline would phase out its 737s and begin receiving Airbus aircraft.

In addition, the 737 MAX is on its way back. Boeing recently resumed deliveries of this aircraft. KLM has been a regular customer of the U.S. aircraft manufacturer for years. If KLM chooses Boeing, the pilots would also benefit from a shorter adaptation period and could be deployed on a larger scale.

My comment: At both Air France and KLM, the question of the replacement of Boeing 737s is being raised. These aircraft currently equip the fleets of Transavia Netherlands and Transavia France.

Logically, a joint call for tenders should be launched in order to benefit from the best possible offers from both manufacturers.

Transavia France "will put the same number of seats on line in July-August as in 2019"

(source BFM Business) June 21 - A very good summer in sight for Transavia? The low-cost airline, a subsidiary of the Air France-KLM group, expects a summer traffic equivalent to that of 2019. **"We observe for some weeks 30 to 40% more sales [compared] to the same period in 2019,"** assured this Monday Nathalie Stubler, head of Transavia France, on the set of Good Morning Business.

"There is a catch-up effect, because for a number of months we have not sold," she stressed, "but it also shows a strong appetite of customers to want to travel again.

To adapt its flight schedule to summer demand, **the airline "will put the**

same number of seats online in July-August as in 2019. This is already a strong catch-up: it's been several months that we are on rates largely lower than 2019," added Nathalie Stubler. **"In terms of load factor, we will gradually rise, we are already in June on coefficients of about 70%,** while we were at 50% in April during the measures of travel restrictions, "continued the director, referring to a "strong potential" for this summer.

To meet demand, Transavia has adapted its network to the most popular destinations in Europe. "We have expanded our network to Greece, for example, a region very much in demand by French customers. On Greece, we will be on offers 40% higher than those of summer 2019," explained Nathalie Stubler. Spain and Portugal complete the top three of favorite destinations for summer 2021.

***My comment:** Transavia France sees the end of the crisis. Most of the destinations it serves have reopened their borders to tourists.*

Lufthansa to repay billions of euros in state aid by the end of September

(source Belga) June 18 - **The German aviation group Lufthansa,** parent company of Brussels Airlines, **wants to repay in the coming months the billions of euros of public aid granted in Germany in the context of the coronavirus crisis.** This was announced by its CEO Carsten Spohr on Friday at the National Aviation Conference in Schönefeld.

(...)

At the height of the crisis, Germany, Austria, Belgium and Switzerland had pledged 9 billion euros in public aid to the group following the collapse of business caused by the pandemic. The Belgian government provided 290 million euros to Brussels Airlines.

At the same conference, **German Chancellor Angela Merkel called for aviation to switch to renewable energy sources in the near future. She called for a "disruptive renewal. And not at some point, but as quickly as possible because the production cycles in the aviation industry are very long."**

Merkel said she supported the use of synthetic fuels, for example, while acknowledging that there are capacity and price problems at the moment.

Carsten Spohr noted that fuels made from green electricity are 10 times more expensive than conventional fuels. "We will only manage this in cooperation with the state," he warned.

Citing the example of solar energy, Angela Merkel said she was

confident that prices would come down. She recalled that when she was Minister of the Environment in the 1990s, she did not believe that photovoltaic panels could be profitable.

My comment: *Of the two pieces of information in this article, the most important is Chancellor Angela Merkel's statement on the need to make renewable fuels available to airlines.*

Delayed takeoff for Gulf airlines

(source Le Figaro) June 16 - Same causes, same effects. Like the major historical Western airlines, **Emirates has bitten the dust because of the health crisis**. Last year, Air France-KLM lost 7.1 billion euros, IAG (British Airways, Iberia, Aer Lingus?) 6.9 billion. For its part, **the largest airline in the Gulf plunged into the red to the tune of 4.5 billion dollars (3.7 billion euros)** in the 2020-2021 fiscal year. This is a serious blow, as the Dubai-based company had been making money continuously since the 1987-1988 fiscal year.

(...)

The other companies in the region have not fared any better: in the 2019-2020 fiscal year ended in late March at the very beginning of the pandemic, Doha-based Qatar Airways recorded a record loss of 1.9 billion. The smallest of the Gulf carriers, Abu Dhabi-based Etihad, suffered losses of 1.7 billion in 2020.

In fact, the crisis is even more dramatic for Middle Eastern airlines than for their European counterparts: while Air France-KLM saw a 67.3% drop in passenger numbers last year, Emirates saw a drop of 88% and Etihad 76%. **The Gulf airlines are suffering more because they have no domestic market and instead operate long-haul flights from their hubs,"** says Marc Durance, a partner at Indefi. However, it is the long-haul that is the business that is in the most difficulty. »

Another weak point: the Gulf airlines have positioned themselves even more than the others on the premium segment by developing business class enormously. However, because of the rise of telecommuting and the desire of companies to save money on travel, this very profitable activity will not take off again quickly. "Business travel will suffer for a few years," acknowledged Thierry Antinori, Director of Strategy and Transformation at Qatar Airways, a few days ago.

As a

result, while the air travel horizon is getting brighter as the vaccination campaigns progress, **the Gulf airlines are less optimistic than the European national airlines.** Lufthansa is betting on being more

profitable in 2024 than in 2019. The German company "targets an operating margin of at least 8% in 2024. It was only 5.6% two years ago. Emirates and Etihad are not making any commitments in this area. They only know that passenger demand will return to normal at best in 2023.

To get through this difficult period, **Middle Eastern airlines are taking drastic measures**. In 2020, Etihad laid off 7,000 of its 20,000 employees. For its part, Emirates has reduced its workforce by 31% to 75,100 employees. Air France, on the other hand, is cutting only 16% of its jobs (7,500), and this is in the form of voluntary departures.

In this troubled context, is there still room for three world-class airlines in this region? Could Emirates take over Etihad as rumored in 2018? This is not the case," says an industry expert. The rise in oil prices has given cash back to the states that own these companies. They do not want to let go of them, because it is an element of national sovereignty. »

My comment: *It is possible for airlines to draw the first lessons from this crisis.*

The first lesson is that short-haul low-cost airlines will be the first to emerge from the crisis. Their model, which is socially questionable, allows them to adjust quickly to strong variations in demand.

The second lesson is that airlines with several balanced long-haul networks are the most likely to bounce back quickly. This should be the case for Air France, KLM and Lufthansa, but less so for British Airways, whose business is very concentrated on the North Atlantic.

Behind the Airbus-Boeing truce, a common rival: China

(source AFP) June 20 - Will the Airbus-Boeing duopoly have to make room for the newcomer Comac? The rise of China in the very strategic aeronautics sector, for which it represents the world's largest market, is leading Europeans and Americans to close ranks.

The United States and the European Union on Tuesday suspended for five years the punitive tariffs they impose on each other in the context of the long-standing dispute over government aid to their aircraft manufacturers.

According to U.S. President Joe Biden, the goal is to **"work together to challenge and counter China's non-trade practices in the (aviation) sector**, which give Chinese companies an unfair advantage."

In the background, Beijing's frantic efforts to make its national aircraft manufacturer Comac (Commercial Aircraft Corporation of China) emerge. The latter is developing a twin-engine jet, the C919, intended to compete with the A320 and B737.

(...)

The aircraft has received between 49 and 72 billion dollars in public subsidies for its development, much more than the aid received by Airbus and Boeing, according to Scott Kennedy, a China specialist at the International Center for Strategic Studies (CSIS).

(...)

If Beijing cannot do without Boeing or Airbus for the time being, it intends to control its own destiny in the long term.

(...)

The C919 depends on cooperation with European and American manufacturers: of the 82 main suppliers of the aircraft, 14 are Chinese, seven of which are joint ventures with a foreign company, says Mr Kennedy.

The wings and the fuselage are Chinese, but **the national companies do not yet master the engines or the avionics**, and Comac suffers from its bureaucratic organization. But that will come, says Michel Merluzeau.

(...)

Heavier, the aircraft consumes more fuel and will therefore cost more to operate.

Under the impetus of the government, Comac boasts that it has booked 815 orders for its C919, almost all from Chinese companies. But these are mostly just intentions: China Eastern Airlines was the first company, in March, to place a firm order for five aircraft.

(...)

Boeing and Airbus bosses are preparing for this. Comac "will gradually become a player worthy of the name," said Guillaume Faury, president of the European manufacturer. We will probably move from a duopoly to a "tripoly", at least in single-aisle aircraft, by the end of the decade.

My comment: Building an airplane is not an improvisation. The difficulties encountered by Comac in manufacturing its single-aisle module are proof of this.

If Airbus and Boeing focus their investments on a zero-carbon aircraft, the two manufacturers could leave their future Chinese competitor, Comac, far behind.

> **Commercial aviation has reached the threshold of a**

new era

(source: Le Journal de l'Aviation) June 15 - Yesterday marked the beginning of another major shift in the history of aviation. **By unveiling the RISE non-ducted fan engine development program for commercial aviation, Safran and GE Aviation have simply announced a real change of era for the air transport industry.**

The next generation of single-aisle aircraft to be offered by Airbus and Boeing by 2035 will be able to do away with traditional turbofan engines for the first time, even though the RISE open fan engine is obviously a direct descendant of them. **Abandoning the fan cowling was the most defensible technological direction in the long term**, given the ever-closer thrust bearings that will accompany the inevitable increase in engine bypass ratios to reduce fuel consumption.

Safran group CEO Olivier Andriès made it clear that this development program was not, strictly speaking, the launch of a new engine for a single-aisle program by the two major aircraft manufacturers. It will of course be up to them to make the right decisions about which technologies will best reduce fuel consumption and emissions on aircraft that account for nearly three-quarters of the world market in terms of passengers carried. Philippe Mhun, EVP Programmes and Services at Airbus, welcomed the initiative at a press briefing.

But without forcing their hand, it's easy to see that it **will be difficult to miss the real solution offered by GE and Safran**. It will be particularly interesting to follow the future roadmap that Pratt & Whitney will soon propose as the successor to its current family of turbofan engines (GTF). Diverging paths would undoubtedly be much riskier, especially in view of the integration constraints for non-ducted fan engines, especially at the wing level, which would effectively put an end to the dual-source principle for single-aisle engines on Airbus. As you can see, **the almost-announced introduction of non-ducted fan engines in commercial aviation is simply exciting**. It has arrived at the threshold of a new era. What's

also certain is that the new contenders in the market, namely COMAC's C919 in China and Rostec

's MC-21 in Russia, both designed in the late 2000s and still not in service more than a decade later, have already taken a big hit.



My comment: For several years, our colleagues at Air France Industries KLM Engineering & Maintenance have been telling me that a revolutionary engine project was under study. General Electric and Safran have just announced it.

I'm reproducing here information provided by Safran, General Electric's French partner, including the visual above.

Developed as part of the European Clean Sky initiative, the open-rotor engine program uses an architecture that represents a complete technological break with current jet engines.

This new type of engine is made up of two distinct parts: a conventional gas generator and a turbine that drives a pair of counter-rotating, unshrouded propellers. These propellers provide the aircraft's propulsion.

In an aircraft engine, efficiency and fuel consumption are linked to the amount of air mixed and ejected at slow speeds," says Pierre Guillaume, head of R&T at Snecma (Safran). With the open rotor, we'll be able to increase this airflow considerably, since we won't have any fairings around the propellers. This means lower fuel consumption and reduced CO2 emissions. »

Safran has set an ambitious but realistic goal for the open rotor, which is to produce an aircraft engine that consumes 30% less fuel than current engines.

Bonus of the week

Over 70% of the airports are grassland and natural areas

((source aviationdurable) June 15 - Air transport infrastructures require a relatively small footprint: more than 70% of aeronautical spaces are made up of meadows and aquatic surfaces, allowing to preserve the surrounding biodiversity. **In the inner suburbs of Paris, 50% of the grasslands are located in aeronautical areas.**

These spaces, fenced for safety reasons, are protected and not trampled, offering good conditions for the development and reproduction of species. The Aero Biodiversity association evaluates and promotes this airport biodiversity.

The construction of the LGV Bordeaux - Toulouse (beginning of the works planned in 2022) **will lead to artificialize 5.000 hectares of spaces** (among which 1240 ha of agricultural lands and 2.865 ha of forest), impacting numerous wetlands and rich natural environments. **In comparison, only a small part of the 1500ha of Orly airport is concreted...**



My comment: *There is no question here of opposing the plane to the train. It is simply to point out that the impact of the TGV is different*

depending on whether the new trains use existing or future lines.

The two modes of transport can be complementary.

For example, Air France and SNCF have just enhanced their partnership with 7 new "Train+Air" routes. A new step towards greater intermodality with this offer which now connects 18 French cities to the Air France global network by rail.

End of the press review

> Advice for employees and former employees who are shareholders

You will find on my [navigaction](#) site the modalities of access to the managers' sites.

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 **4.498 euros** on Monday 21 June. It is down this week by -1.98%. Since the capital increase of April 19, it has lost "only" 10%.

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

The average (consensus) analyst price for AF-KLM shares is 3.30 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 crude oil (North Sea) is up \$2 to \$75 per barrel. Since a low point at the end of October 2020 (\$37) it has been rising steadily. It exceeds its pre-pandemic level. Since the end of 2014, it has only exceeded this level for a few months, in 2018.

As air traffic recovers, this high price is bad news for airlines.

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](#)

If you like this press review, please pass it on.

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

| 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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