

AF-KLM urges US to drop travel restrictions for Europeans



## I Letter from the Director of Air France-KLM

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

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## Editorial

*Dear readers,*

*I am publishing at the end of this letter the tenth infographic on the climate impact of aviation. It presents the kerosene savings generated by "open rotor" engines.*





*These infographics have been produced by specialists with whom I have collaborated. They have each been seen by tens of thousands of people.*

*You will be able to find all the infographics as well as the links to the sources of information next week on my site.*

*The election of the members of the supervisory boards of the Air France group's employee savings plan is underway. If you have savings in one of the Air France group's employee savings funds, you are invited to elect those who will oversee the management of your savings.*

*I am again submitting to the voters concerned the "Union-Experience with François Robardet" lists and invite you to vote for them. You will find all the necessary information in my [Flash n°86](#).*

*See you soon on our lines.*

*François*

## **Monday's Press Review**

### **> Air France-KLM urges the U.S. to drop travel restrictions on Europeans**

(source New York Times) July 1 - **Benjamin Smith**, the chief executive of Air France-KLM, one of the world's largest airlines, **was delighted when Europe eased restrictions on American visitors** last month.

(...)

**"What we're looking forward to is reciprocity from the U.S. government,"** Air France-KLM Chief Executive Benjamin Smith said in an interview this week. "Transatlantic is the most important long-haul market we have."

Last week, the U.S. Chamber of Commerce called for easing travel restrictions put in place under the Trump administration, saying the return of European business travelers and tourists "would help spur economic growth and job creation for Americans across the country."

(...)At

a news conference Wednesday, Jen Psaki, **the White House press secretary, said the administration was considering lifting the ban.**

(...)

**European airlines depend heavily on transatlantic travel.** For KLM, which has its main hub in Amsterdam, and Air France, flights to North America accounted for about 12 percent of overall capacity in 2019, according to Cirium, an aviation data provider. And despite the ban on most Europeans traveling to the U.S., Air France still plans to launch flights to its 12th U.S. city this Friday by starting nonstop service between Denver and Paris.

Even as he waits for the U.S. to reopen to European visitors, Smith said he is hopeful that travel will slowly resume to Europe.

**"The leisure component of our business in Europe is really strong," Smith said. "It's a little too early to talk about the business component because it's never been strong in the summer, but we'll see how that plays out in September."**

***My comment:** July marks the beginning of the period in which European airlines normally carry the most passengers and record their best results.*

*The continuation of the health crisis will not allow airlines to record results this summer similar to those of 2019.*

## **KLM: a network in Africa similar to 2019**

(source Air Journal) July 1 - **KLM Royal Dutch Airlines has relaunched in Amsterdam a network to Africa similar to the one before the Covid-19 pandemic, with eleven destinations - and a new one, Mombasa, announced for the fall.**

A global network of destinations "is at the heart of the strategy to emerge stronger and more competitive" from the health crisis, recalls the Dutch national airline on June 30, 2021.

(...)

Since the beginning of the pandemic, Air France's sister company "has been trying to maintain its network as much as possible, including in Africa. This has allowed customers to make the (necessary) trips and has facilitated the transport of goods, such as medical supplies. This strategy makes it easier for KLM to increase frequencies and load factors once Covid-19 control measures are relaxed.

**Strict travel restrictions are still in place for many African countries, "which means that only necessary travel is allowed,"** the Dutch airline stresses, however. Travelers are advised to "ensure that they are fully informed of the regulations in force before traveling" (...).

***My comment:** In these difficult times, airlines are trying to limit their losses by operating almost all their routes, even if it means reducing frequencies.*

*Moreover, as they have unused aircraft, they are taking advantage of this to test routes that they were unable to make profitable before the crisis. This new form of competition will increase the difficulties of the smallest companies.*

## **Brussels opens an investigation into the planned acquisition of Air Europa by IAG**

(source AFP) June 30 - **The European Commission has opened an in-depth investigation into the proposed acquisition of the airline Air Europa by IAG**, parent company of British Airways and Iberia, fearing a reduction in competition in the Spanish market.

"IAG, which operates the Iberia and Vueling networks among others, and Air Europa are leading airlines in Spain (...). **We will carefully assess whether the proposed transaction is likely to harm competition on domestic, short-haul and long-haul routes to and from Spain, which** could lead to higher prices and lower quality for passengers," European Competition Commissioner Margrethe Vestager was quoted as saying in a statement released Tuesday evening.

IAG and Air Europa are respectively the "first and third providers of scheduled passenger air transport services in Spain", the Commission said.

(...)

**"On some routes, IAG and Air Europa were until now the only two airlines present,"** the Commission said.

**The European executive** said it would "now proceed to an in-depth examination of the effects of the proposed transaction" which was notified to him on May 25, 2020. It now **has 90 working days, until November 5, to take a decision.**

(...)

**At the beginning of January, IAG had confirmed its plan to buy Air Europa, but at a price halved from the initial scenario, i.e. 500 million euros, due to the damage of the pandemic on the sector.**

IAG had unveiled this takeover in November 2019, offering then 1 billion euros to buy the entire capital of Air Europa from Globalia. One of the group's objectives is to make Madrid one of its major "hubs", capable of competing with Amsterdam, Frankfurt or Paris.

***My comment:*** *The European Commission's decision will be followed closely by the Air France-KLM group.*

*The stakes are high. If the project to buy Air Europa by the IAG group were to be validated, Air Europa would leave the Skyteam alliance and the new entity would be in a strong position on the South transatlantic network.*

## > **United Airlines orders 70 more A321neo**

(source Le Journal de l'Aviation) June 30 - U.S. carrier **United Airlines has placed an order for 70 A321neo aircraft** with Airbus as part of its "United Next" transformation and modernization plan.

The aircraft are available for delivery from early 2023 and will be equipped with Airbus' new Airspace cabin. **They will also join the 50 A321XLRs ordered by United in December 2019** to strengthen its transatlantic network.

A significant portion of the new A321neo orders will also be assembled in Mobile, Alabama.

The **engine choice** for United's 120 future A321neo aircraft, between CFM International's LEAP-1A and Pratt & Whitney's PW1100G-JM, has **not yet been announced**.

## **CFM International to supply over 760 LEAP engines to United**

(source Le Journal de l'Aviation) June 30 - With the new Boeing 737 MAX orders announced by United Airlines as part of its "United Next" transformation and modernization plan (50 737-8s and 150 737-10s), **the 50/50 joint venture between Safran Aircraft Engines and GE will have to supply a total of more than 760 LEAP-1B engines to the U.S. airline to power its 380 737 MAX aircraft** (installed engines, not including associated spare engines).

United already has about 30 737 MAX aircraft in its fleet.

***My comment:** It is important to remember that the amounts due by airlines when placing orders are a small part of the total amount. Even more so when they are options.*

*In this case, United Airlines has not communicated the share of firm orders for either the Boeing 737 Max or the Airbus A321 neo.*

*That said, this is a good time for new orders. Having also suffered from the crisis, manufacturers are inclined to offer strong discounts.*

*Moreover, the models on offer are all from a generation that has already proven itself, while the next generation is not expected to be available in the near future.*

## **Covid: the fear of another summer lost in British transport**

(source Les Echos) July 5 - **The European Union has just launched its health passport in the hope of boosting travel within the continent. Brexit obliges, the United Kingdom is excluded**, much to the dismay of British tourism and airline professionals, who have been pleading for months for the easing of restrictions on travel.

Prime Minister Boris Johnson has hinted at the removal of the quarantine on arrival in the UK for fully vaccinated travellers from countries classified as "orange", i.e. most European countries. According to the "Times", this decision would be effective at the earliest

on July 26.

(...)

Even if **the UK** lifts its quarantine, the country **remains under threat of tighter entry conditions from other European countries, as** demonstrated by Portugal's recent decision to restrict arrivals from the UK.

(...)

In the meantime, air transport is recovering at a slower pace than in the rest of Europe, as the latest figures published by Eurocontrol show.

(...)

As a result, national airlines are particularly affected. Easyjet shows a traffic drop of 87% compared to the same period in 2019. British Airways is not in much better shape (-81%). It would almost be envious of the 52% drop that Air France is currently experiencing.

**This situation should further increase the losses incurred by the airports. Heathrow has already accumulated 2.4 billion pounds in losses since the beginning of the pandemic. The situation at Gatwick, in which Vinci has a 50% stake, could be even more difficult.** Its CEO, Stewart Wingate, admitted in an interview with the "Times" that "it was the worst hit among the major airports", with only 330,000 passengers carried in the first months of the year, compared to 18 million before the crisis.

(...)

## ***The Stock Exchange Press Review***

### **> Stock market: the delta variant weighs down transport and leisure activities**

(source Boursier com) June 28 - **The rapid spread of the Delta variant of the coronavirus, now present in 85 countries, is increasingly worrying investors, and weighed heavily on Monday on the transport and leisure sectors**, as well as on oil prices, which would suffer from new travel restrictions.

Several countries, from Portugal to Australia, Israel and Thailand, have tightened health restrictions again in an attempt to curb the delta variant, which was first spotted in India but is now spreading very quickly, particularly in the United Kingdom.

**In Europe, airlines suffered on Monday, including Ryanair (-4.2%), Air France-KLM (-4.08%) and Lufthansa (-3.6%).** In the U.S., Delta

Airlines (-2.9%), United Airlines (-2.6%), American Airlines (-3.7%) and Southwest Airlines (-2.4%) were also struggling. The tour operator TUI gave up 5.66%, the hotelier Accor fell by 3.1%, while the online travel booking sites Expedia (-4.3%) and Booking (-3.4%) were at half-mast on Wall Street. Cruise operators also floundered: -6.3% for Royal Caribbean Cruises and -6.1% for Norwegian Cruise Line.

As for oil prices, which had risen on Friday to their highest level since October 2018, they fell back on Monday amid fears of lower-than-expected demand if health restrictions are extended around the world this summer. A barrel of WTI gave up 1.5% to \$72.91 on the Nymex on Monday for August futures, while a barrel of North Sea Brent crude (September contract) dropped 1.6% to \$74.14.

(...)

**The spread of the variant delta comes at a time when vaccination campaigns have hit a ceiling due to psychological barriers in rich countries, and are still in the early stages in many developing countries.**

***My comment:** As long as the health crisis persists, it is to be feared that the share price of air transport players will stagnate.*

### **> Air France-KLM: Liberum reduces its target price**

(source CercleFinance) June 25 - **Liberum has reduced its target price for Air France-KLM shares from four to three euros on Thursday**, while maintaining its 'sell' advice on the share.

In a note sent to its clients, the British broker believes that the risk of a dilutive effect remains for the airline's shareholders.

Air France-KLM has seen its debt level increase considerably due to the collapse in demand caused by the pandemic," it said in its research note.

**For Liberum, a full return to pre-crisis results would not avoid a 'significant' capital raising** in view of the carrier's low cash generation.

**The broker** - which says it is cautious about the level of activity in the short term - **stresses that it has lowered its earnings forecasts, citing in particular the recent rise in fuel prices.**



***My comment:** In this period of great uncertainty, analysts are being very cautious.*

## **Bonus of the week**

### **> Increasing the diameter of the motors can reduce consumption**

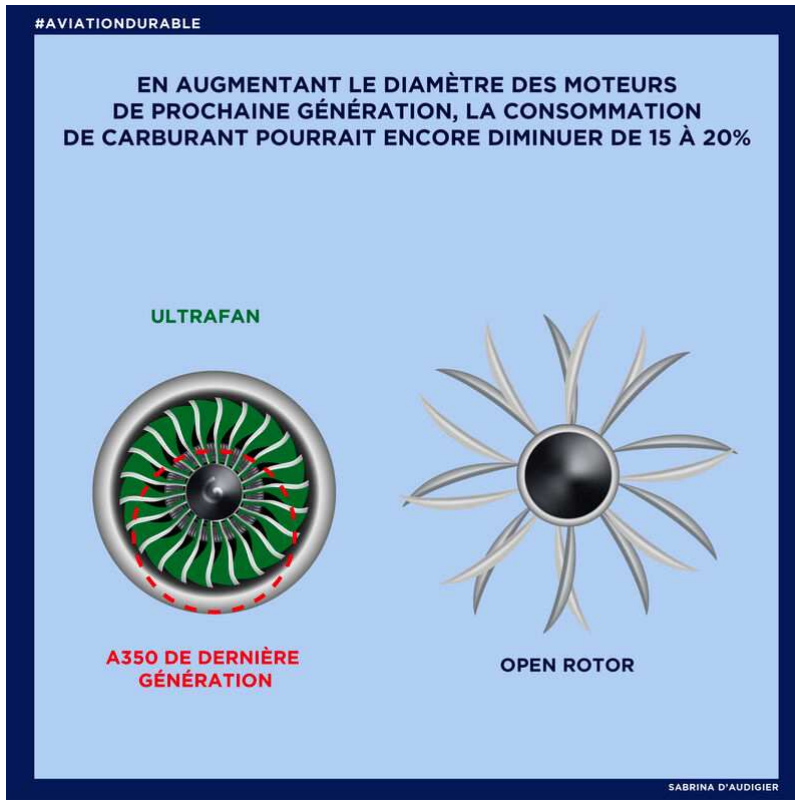
(source sustainableaviation) June 29 - **In a modern turbojet engine, thrust is provided by the combustion of kerosene, but also largely by the acceleration of the air in the fan.** The ratio of "hot" to "cold" thrust is called the bypass ratio, and the engine's fuel consumption decreases as this ratio increases. **By increasing the size of the fan, we increase the thrust and reduce fuel consumption.**

The latest-generation engines powering the Airbus neo family, the A350, the Boeing 737MAX and the 787 Dreamliner have already reduced fuel consumption by 15 to 20% compared with the previous generation.

Two new concepts will extend this technology:

- **Rolls-Royce will test its Ultrafan prototype starting in 2025, with an additional 20% reduction in fuel consumption,**
- **CFM (Safran + GE) is developing an open-rotor concept, a revolutionary non-hubby engine** with even greater potential for reducing emissions.

**These increasingly efficient engines will also require changes in the overall architecture of aircraft,** as they will no longer fit under the wings of current aircraft. **The next generation of aircraft will probably have its engines on top of the aircraft, which is why innovative programs like the flying wing are making a comeback...**



***My comment:** This infographic is the tenth of the #SustainableAviation series. Like the previous ones, it aims to show how the air transport sector is transforming itself to reduce its impact on global warming.*

*This #SustainableAviation initiative could lead to the creation of an international observatory in charge of evaluating the actions led by the air transport sector.*

## **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 **4.228 euros** on Monday 5 July. It is up this week by +2.05%.

Before the coronavirus epidemic, Air France-KLM shares were 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 \$77 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 UNPNCChis  
press review deals with subjects related to the Air France-KLM shareholding.

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