

Air France-KLM



Letter from the Director of Air France-KLM

François Robardet

Representative of the employees and former employees shareholders PS and PNC

N°821, August 16, 2021

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Monday's Press Review

> French airlines organize the return of tourists from the Caribbean

(source Les Echos) August 11 - **The party is over for French airlines, which were counting heavily on the overseas departments to get back on their feet.** Bookings started to soar at the beginning of the summer season, in June, and had already started to fall back by the end of July, as the health situation deteriorated. The announcement by the prefect of a strict reconfinement in Martinique, accompanied by a call to tourists to return home, sounded the early end of the summer season in the Caribbean.

For Air France, Air Caraïbes and Corsair, the priority is now to ensure the return of tourists, by providing additional capacity in the coming days if necessary. In addition to postponing or cancelling flights free of charge for customers who have not yet left, those already on board can now bring forward their return date free of charge, on departure from Martinique and Guadeloupe.

(...)

The activity of the companies in the West Indies will therefore remain very sustained in the coming days, which should enable them to save the bulk of the summer season.

(...)

But once the return period is over, the companies expect a sharp drop in traffic in September and October. "On Martinique and Guadeloupe,

bookings have fallen to almost zero," admits Marc Rochet. According to the head of Air Caraïbes, this early end of the season could result in a loss of business of 10% to 15% in August, "but in September, the bill will be salty," he stresses.

As for the long-haul destinations likely to take over this fall and winter, their status is still very uncertain. (...) French Bee is still hoping that the United States will reopen its borders to vaccinated Europeans in the coming weeks. Corsair is betting on Abidjan, Mauritius and Punta Cana and is counting on a recovery of tourism to the Caribbean for the Christmas vacations. As for Air France, faced with uncertainties about the recovery of business travel, its winter program is still focusing on tourism with new destinations on trial, such as Zanzibar (Tanzania), Muscat (Oman) and Colombo (Sri Lanka). But no more certainty.

> **Stiller rondom Schiphol door overstap naar satellietnavigatie (More calm around Schiphol thanks to satellite navigation)**

(source Rtlnieuws) August 12 - **Noise generated by air traffic at Schiphol will be reduced in the near future by the arrival of satellite navigation**, which will replace the beacons that pilots currently use. The reduction in noise will be felt especially around the runways at Zwanenburg, Buitenveldert and Aalsmeer.

(...)

"We no longer navigate aircraft by physical beacons on the ground, but by a GPS signal emitted by satellites to and from the runways," explains Michiel van Dorst, head of air traffic control in the Netherlands. "This means that in the **future we will be better able to direct traffic around the residential areas around Schiphol**. This will result in less inconvenience."

(...)

The 29 beacons on the ground in the Netherlands will largely be replaced. According to Van Dorst, the new technology will allow planes to fly more accurately. "By doing so, **the planes will descend more smoothly and with less engine power, which will result in less noise pollution.**"

(...)

Previously, it was announced that the number of night flights had to be reduced, which was a condition for granting state aid to KLM. Currently, the maximum number of night flights is 32,000 per year, but this number will have to be reduced in the coming years.

My comment: Schiphol airport is located in the middle of a residential

area, in the immediate vicinity of Amsterdam.

The reduction of aircraft noise is of paramount importance to the airlines.

It would allow to satisfy the demands of the local residents while maintaining the activity at its pre-pandemic level.

Southwest Airlines weighed down by Delta variant

(source Boursier com) August 11 - **Southwest Airlines has estimated that it may not be profitable in the third quarter. The U.S. airline is citing the impact of the Delta variant on bookings.**

Cancellations have increased this month due to the highly contagious variant. Southwest is now looking at a 15% to 20% drop in operating revenue for the quarter compared to 2019, the year before the pandemic.

Thus, the airline is prudently reducing the guidance provided less than a month ago. The impact of the epidemic on the months of August and September will therefore make it difficult to achieve profitability in the third quarter.

My comment: *Southwest Airlines is the leading low-cost airline in the United States. Its business is focused on the domestic market.*

It announced a revenue outlook for the third quarter that was down three to four points from what it reported last month.

JetBlue takes on the North Atlantic with the A321LR

(source Le Journal de l'Aviation) August 12 - As planned, **JetBlue launched its first transatlantic flights on August 11** with a rotation between its New York JFK base and London Heathrow. The new daily service is operated **by Airbus A321LR, the long-range version of the A321neo.**

The New York-based airline is also due to launch a route between JFK and London Gatwick from September 29, with three A321LRs in its fleet this year. Additional aircraft will be delivered in 2022 to expand JetBlue's transatlantic flight program.

(...)

With its transatlantic services, JetBlue is certainly tackling a very competitive market, but with a major advantage: the use of single-aisle aircraft, which are easier to make profitable on these routes than wide-

body aircraft, especially during the current pandemic.

JetBlue's A321LR has a configuration similar to that of its A321neo equipped with the Mint product for transcontinental flights, but with a slightly less dense layout: 24 Mint suites and 114 economy seats (compared to 16 Mint seats and 144 economy seats for its A321neo Mint).

(...)

As a reminder, the A321LR is the long-range version of the A321neo (4,000 nautical miles - 9 hours range with 200+ passengers). JetBlue has ordered 13 A321LRs and 13 A321XLRs, the new version launched at the Paris Air Show in 2019 (4,700 nautical miles), the first of which are expected in 2023.

***My comment:** The A321LR can theoretically carry 206 passengers over a distance of 7,400 km, thanks to the addition of three extra tanks compared to the basic version, the A321neo.*

The A321XLR has two additional tanks. It can make flights of 8,700 km. It is the Airbus single-aisle model with the longest range.

Of the 2,950 A321neos on order, 450 are A321XLRs.

For the moment, it has met with mixed success, with airlines fearing that passengers will find it difficult to cope with ten hours of flight time in the confined space of a single-aisle aircraft.

CSA Czech Airlines pulls the plug on its Airbus orders, its future more than uncertain

(source Le Journal de l'Aviation) August 10 - It was only a matter of time before the cancellation of the aircraft became official. The seven Airbus aircraft destined for CSA Czech Airlines disappeared from the European aircraft manufacturer's order book in its last update for July.

(...)

Although **heavily indebted and declared bankrupt**, the Czech company remains mostly **owned by the Smartwings group, the country's main airline** and probably the future Czech flag carrier. Smartwings operates only with Boeing 737s.

Since then, things have accelerated and **CSA Czech Airlines decided to separate from its entire staff** (some 430 employees) a few days ago, leaving only an "empty shell" of this former airline born over 98 years ago.

The fate of the CSA brand, as well as the company's membership in the Skyteam alliance remain unknown for the moment. The future of its

MRO division, Czech Airlines Technics (CSAT), is not directly concerned for the moment, except for the decrease in activity induced by the end of the CSA fleet operations.

(...) **Eurowings** (Lufthansa Group) **has already positioned itself in the face of a pure and simple disappearance of CSA Czech Airlines.**

(...)

The low-cost carrier of the Lufthansa group will thus give a "boost to Czech air traffic", in the words of Jens Bischof, CEO of Eurowings. But **the German company will also directly attack the low-cost carrier Smartwings, one of the fastest growing airlines in Europe.**

> **Airbus reorganization project makes waves in Germany**

(source Les Echos) August 11 - The wind of recovery blowing through the aeronautics industry could well be accompanied by some turbulence in Germany. While the 15,000-person workforce reduction plan announced in 2020 to cope with the drop in activity did not elicit any significant reaction, **the proposed reorganization of aerostructure assembly activities (the structures that make up an aircraft) in France and Germany, currently under negotiation, is already causing an outcry on the other side of the Rhine, and still more questions than answers on the French side.**

(...)

Announced last April, **the plan calls for two new wholly-owned subsidiaries in France and Germany to assemble subassemblies** such as fuselage sections, nose cones and wing boxes for Airbus aircraft, **which are currently manufactured at several of the company's sites and its two main subsidiaries:** Stelia Aerospace in France and Premium Aerotec in Germany.

The objective is to boost the competitiveness of these strategic activities by streamlining and simplifying the organization. This is in **view of the launch of a future "carbon-free" Airbus, for which aerostructure integration will be even more important.**

In France, the new entity, whose name has not yet been chosen, would bring together the Airbus plants in Nantes and Saint-Nazaire, where the front and center fuselage sections of the Airbus A320, A330 and A350 are manufactured, with the Stelia Aerospace sites in Meaulte, Rochefort, Salaunes and Mérignac. This would mean a total of 9,000 employees.

In Germany, the future subsidiary would combine Airbus sites in Stade and Hamburg with Premium Aerotec sites in Nordenham, Bremen and Augsburg. The new 7,000-employee entity will produce front fuselage sections for the A330 and A350, the center and rear sections for the A320, and the tails and tail fins for all Airbus aircraft.

But **the problem for Germany is that part of Premium Aerotec's business** in Augsburg and Varel - the manufacture of primary structural parts - **would not be included in the new entity**. It could therefore be sold to a buyer. This obviously does not suit the employees concerned. According to Reuters, Airbus has tried, without success, to convince German trade union leaders of the merits of its plan, arguing that nearly 1,000 jobs would be lost if Premium Aerotec were to remain within the group as is. According to French trade union sources, its losses would exceed one billion euros.

On the French side, mistrust remains with regard to this project, the purpose of which still does not seem very clear. The unions wonder how it would improve the efficiency of these activities.

***My comment:** Airbus' ambition is to produce a carbon-free aircraft by the end of the decade.*

Reducing the number of production sites is one of the ways to achieve this; the manufacturer would thus limit the transport of the different parts of the aircraft and consequently the CO2 emissions induced.

> Airbus and Safran at odds over single-aisle production increases

(source: Les Echos) August 11 - **It's rare for two industrial partners to publicly air their differences**. But that's what Airbus and Safran CEOs Guillaume Faury and Olivier Andriès did at the end of July, when they presented their half-year results. At the heart of the debate between the two French heavyweights in civil aviation is nothing less than the evolution of the A320 family of single-aisle aircraft, which accounts for most of the European aircraft manufacturer's revenues.

At the end of May, Airbus CEO Guillaume Faury publicly called on its main suppliers, including Safran, to prepare for a ramp-up in A320 production, from the current 40 aircraft per month to 64 by mid-2023 and possibly 70 by the first quarter of 2024. Guillaume Faury even mentioned the possibility of increasing production to 75 single-aisle jets per month by 2025.

(...)

But when he presented his half-year results to analysts on July 28, **Safran's CEO was more than a little cautious about Airbus's ambitions for the A320, for which he is the main engine manufacturer, along with U.S.-based GE, in their joint venture CFM International.**

"We're listening to what our customers, airlines and leasing companies,

are telling us, and we're not sure that the market has enough appetite for such rates, and that rates well above 60 aircraft per month can be sustained," said Olivier Andriès.

According to Safran's CEO, the 500 or so 737 Max orders won by Boeing in the first half of the year invalidate the theory that there is a significant and lasting imbalance in market share between Airbus and Boeing in the single-aisle segment, which would justify such a sharp increase in Airbus production. **A return to a balance between the two aircraft manufacturers in the single-aisle market**, which is estimated at around 1,600 deliveries per year over the next 20 years, **would therefore represent a monthly production of around 66 single-aisle aircraft for each of the two manufacturers.**

This projection has the added advantage of matching Safran and GE's Leap engine production targets (around 2,000 engines per year), which power 60% of the A320 Neo, but also 100% of the Boeing 737 Max, as well as the new Chinese C919, currently undergoing certification. In 2018, Airbus and Safran had already reached an agreement, on the basis of 63 A320s per month.

These arguments did not make Guillaume Faury waver. **For the Airbus CEO, accelerating A320 production is essential to meet the aircraft manufacturer's huge order backlog within a reasonable timeframe.**

We have an A320 order backlog of nearly 6,000 aircraft," he told financial analysts on July 29. At the rate of 40 aircraft per month, it will take 15 years to deliver them, and about 10 years at a rate of 60."

Without the ability to reduce delivery times, Airbus risks losing many of its orders to Boeing and its 737 Max. Some of Boeing's recent large orders would have been lost to Airbus because of its inability to deliver planes on time.

(...)

In addition, there is a fundamental difference in business models between aircraft and engine manufacturers. While Airbus generates most of its revenues from the sale of new aircraft, primarily the A320 family of single-aisle jets, Safran generates most of its margins from engine maintenance and spare parts, even if it means selling its new engines at cost, or even at a loss.

My comment: Safran's attitude can be interpreted in two ways.

On the one hand, it is understandable that the French company is reluctant to make investments that would not be profitable if Boeing were to rapidly take market share from Airbus in the single-aisle aircraft market.

On the other hand, by limiting its own production for Airbus, Safran

would be restricting Airbus' delivery capabilities. This would favor Boeing.

Safran and its U.S. partner GE Electric, which supplies 100 percent of the engines for the B737 Max but only 60 percent of the engines for the A320, would have a clear advantage.

> **Ranking of the best airports in the world in 2021, France far behind**

(source Le Figaro) August 9 - Skytrax has just published its annual ranking of the world's best airports (World Airport Awards 2021). A reference in the field, the British organization lists each year the 100 best airports in the world, a sort of Oscar of the airline industry.

While Doha-Hamad in Qatar took first place in 2021, **the top 10 remains largely dominated by airports in the Asia-Pacific region**, including Tokyo (Haneda and Narita), Singapore Changi and Seoul Incheon. Three European airports make it into the top ten, namely Munich, Zurich and London Heathrow. It should be noted that **only two French airports appear in the ranking: Paris-Charles de Gaulle in 15th place and Paris-Orly in 73rd place.**

However, the Parisian airports have moved up a few places compared to the 2020 ranking. Paris-Charles de Gaulle is now the 6th best airport in Europe and 7th in the category "Best airport staff in Europe". The main Parisian airport is also ranked 3rd in the category of airports carrying between 20 and 25 million passengers in 2020.

Top 10 best airports in the world, according to the World Airport Awards 2021

- . Doha Hamad2
- . Tokyo Haneda3
- . Singapore Changi4
- . Seoul Incheon5
- . Tokyo Narita6
- . Munich7
- . Zurich8
- . London Heathrow9
- . Kansai10
- . Hong Kong

Waiting time at security checkpoints, ease of access to the airport, prices charged at points of sale, presence of play areas for children... Several dozen criteria were evaluated by travelers who participated in the Skytrax survey from August 2020 to July 2021 on the worldairportsurvey.com website. Given the drop in air traffic over the

past 18 months, Skytrax did not establish certain sub-rankings, including those relating to shopping, catering, hotel facilities or baggage delivery. Covid-19 related items were also noted, such as the availability of hydro-alcohol gel or social distancing signage. **Skytrax has even created a prize, the "Covid-19 Airport Excellence Awards", rewarding the 40 airports that have established the strictest hygiene protocols. A hard blow for the French terminals, they were not rewarded either.**

***My comment:** Amsterdam Schiphol appears in twelfth place in the overall ranking (down 3 places)*

Note that in the list of 40 airports with the strictest hygiene protocols, 11 European airports appear. Neither the French airports nor Schiphol appear in this list.

Call for projects for a French biofuel industry

(source Air Journal) July 28 - The French government announced on Tuesday, July 27, the launch of a call for projects to develop a French production chain for sustainable aviation fuels (SAF), with a budget of up to €200 million.

While the transport sector is facing "profound changes linked to its decarbonization", air transport requires particularly significant efforts in R&D and productive investment. In January 2020, the government had already established an ambitious roadmap for the incorporation of sustainable aviation biofuels, accompanied by a call for expressions of interest. During **a visit by Jean-Baptiste Djebbari, Minister Delegate in charge of Transport**, to the BioTfuel demonstrator site in Venette (Oise) on July 27, 2021, **he and Agnès Pannier-Runacher, Minister Delegate in charge of Industry, announced this call for projects in order to accelerate the development of the production of biofuels for aviation in France.** And this, according to their statement, in the framework of "the 4th Program of investments for the future (PIA4) and the national strategy Biosourced products and industrial biotechnologies - Sustainable Fuels, which will be presented soon and is funded by France Relance.

More specifically, **this call for projects aims to support research and development projects led by companies**, alone or in consortia, that accelerate the market launch of ambitious, innovative and sustainable solutions, **from the industrial research phase to operational demonstration.** It can also finance engineering work prior to the investment decision.

(...)

Two rounds of selection are scheduled, says the Ministry's press release: intermediate closing on October 15, 2021, and final closing on April 29, 2022.

Jean-Baptiste Djebbari said: "Today we are taking an essential step towards the emergence of a French sustainable aeronautical biofuels industry. A few days after the European Commission proposed a European incorporation trajectory, **this call for projects will** support the production of sustainable biofuels from biomass and synthetic fuels, **the construction of demonstrators** and, for the most mature projects, upstream engineering work. In terms of decarbonation, we are giving ourselves the means to achieve our ambitions."

Agnès Pannier-Runacher added: "The development of sustainable aviation biofuels is a central issue for successfully making the energy transition in air transport and keeping the entire aeronautical value chain at the cutting edge of technology. It is by supporting innovative initiatives within the sector that **we will find the best options** to succeed in this transformation towards a low-carbon economy and to develop employment and know-how.

(...)

My comment: *The projects that will result from this call for projects are only intended to demonstrate operationally that it is possible to produce a sustainable aviation fuel.*

It is only afterwards that the means to produce this new fuel in large volumes will have to be found. The problem of the cost of this new fuel will then be addressed.

This call for projects seems incompatible with the development of a hydrogen aircraft.

Considering the investments needed to ensure the supply of airports with a second type of fuel, it seems illusory to consider that a third sector, the hydrogen sector for airliners, could be developed in parallel.

Bonus Article

Lapland: Air France opens a direct Paris-CDG - Rovaniemi route

(source Yonder) August 12 - **Good news for travelers in search of Arctic lands and wide open spaces.** From December 4, 2021, **Air France will fly directly to Rovaniemi, the largest city in Finnish**

Lapland, from its Paris-Charles de Gaulle hub.

(...)

Although **the region's largest city**, located on the Arctic Circle at 66°N, **owes its fame to "Santa Claus Village"**, it is above all the gateway to an immense Arctic territory with countless possibilities. Watching the northern lights in winter or the midnight sun in summer, reindeer or dog sledding, snowshoeing or skiing, ice fishing, discovering the Sami culture, staying in exceptional cabin hotels or glass igloos... the activities and experiences to be had in Finnish Lapland go far beyond the folklore of the "magic of Christmas.

It will now be possible to fly directly to Rovaniemi from Paris-CDG. Air France will offer two flights a week on Wednesdays and Saturdays, from December 4, 2021 to March 5, 2022, operated by 143-seat Airbus A319. This is the first direct scheduled service between France and the Lappish capital (excluding charter flights).

(...)

***My comment:** In these difficult times, we all want to believe in Santa Claus. Everyone will now be able to go and check on the spot if he exists.*

End of the press review

> Advice for employees and former employees who are shareholders

You will find on my [navigation](#) 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 **3.959 euros** on Monday 16 August. It is down this week by -2.69%. The announcement of new restrictive

health measures in the West Indies and Reunion Island may explain this drop.

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

The average (consensus) analyst price for AF-KLM shares is 3.24 euros. The highest price target is 5.5 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 slightly by \$1 to \$70 per barrel.

From a low point at the end of October 2020 (\$37), it has steadily increased, until it reached \$69 at the beginning of March 2021. Since then, it has oscillated between \$69 and \$77.

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](#)

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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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