

Orly-Montpellier shuttle: is this the end of business traffic



I Letter from the Director of Air France-KLM

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Representative of employees and former employees who are PS and PNC shareholders

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Monday's Press Review

> Air France cancels the Orly-Montpellier shuttle: is this the end of "business" traffic?

(source Le Figaro) 6 September - From 8 November, **Air France is ending its Orly-Montpellier route in favour of its subsidiary Transavia, with a drastic reduction in the frequency of daily flights.** This is bad news for business passengers, who are numerous on this route.

In a triumphalist press release **this summer, Transavia announced the opening of the Montpellier - Paris-Orly route on 8 November, with "up to four flights a day"**. Seemingly good news. But only apparently, because the announcement failed to mention that the **Air France** shuttle service would stop on the same day. The latter **used to operate up to ten flights a day on this same route** and carried 500,000 passengers a year. We are thus seeing in Montpellier exactly what we saw in Biarritz a few months ago: the transfer of this route to Paris-Orly to Transavia, accompanied by a drastic reduction in the number of daily frequencies.

Could it be otherwise? **Transavia has Boeing 737s with 149 seats, while Air France can, depending on demand, use planes with 100 to 212 seats.** While Biarritz is essentially a leisure destination, Montpellier was elevated to the rank of "shuttle" five years ago, like Nice and Toulouse, due to its high business traffic. On that occasion, Air France demanded a number of improvements from Montpellier airport,

such as a fast lane for security checks - the "Sky priority" - a lounge and a priority desk for its frequent flyers, as is customary with Skyteam member airlines. This fast ground handling had increased the number of passengers by 20%. But with Transavia, no more fast queues, no more priority check-in, no more lounge... **With three flights a day, Transavia will therefore focus exclusively on leisure traffic, abandoning the business clientele, which is the most profitable, in favour of the TGV, which can offer up to ten daily frequencies.** At the same time, **Air France will continue to operate the route between Montpellier and Paris-Charles de Gaulle, with four or five daily connections.** If we add Transavia's flights at Orly to those of Air France at Charles de Gaulle, the offer could be very good for business passengers. But there is a major drawback: tickets from both airlines cannot be combined. So if you leave Orly for Montpellier with Transavia and return to Charles de Gaulle with Air France, your trip will be considered as two one-way tickets. However, the most interesting tickets with Air France are always return tickets...

Similarly, subscribers or Gold or Platinum status on Air France will have the right to Sky Priority, the lounge and a choice of free seat on the outbound trip from Charles de Gaulle, but not for the return trip to Orly. Another drawback is that while the size of cabin baggage has been standardized between the two airlines, the weight limits still differ: 10 kg for Transavia versus 12 kg for Air France in the cabin, and 20 kg for Transavia versus 23 kg for Air France in the hold. Finally, the Discount Passholder, Weekend, Senior or Youth cards are obviously not accepted on Transavia.

Such discrepancies between two airlines belonging to the same group are no longer acceptable these days. If we look at the train side, SNCF has, for example, set up a working group which will study, from next year, ways to make Ouigo and TGV tickets compatible. This is all the more absurd as Transavia is the only airline to offer miles and XP to its users, without giving them the Flying Blue status of the Skyteam alliance.

This also marks the progressive end of connections at Orly to the French overseas departments and territories, New York and other regional cities. Transavia, like any low-cost airline, does not provide connections. Neither between its flights nor with those of Air France. For example, a passenger flying from Toulon to Brest via Orly with two Transavia flights will have to find his or her own way around, rechecking baggage and going through security again. The same applies to a passenger leaving Biarritz for a flight to the West Indies or Reunion Island with a first Transavia flight followed by a long-haul flight on Air France. Did you say complicated?

My comment: *I have rarely read an article so full of errors and untruths.*

The analysis of the Montpellier - Orly route is in bad faith.

The author compares the number of Transavia's daily flights during the crisis (four frequencies from the winter schedule) with that of Air France before the crisis (up to ten per day).

It would have been more accurate to mention that Air France serves Orly three times a day in September and that the arrival of Transavia will therefore not reduce the supply of transport. This would have avoided drawing the erroneous conclusion: "the end of business traffic".

Furthermore, the second part of the article tries to show that flying from Paris to Montpellier and back is a piece of cake; to do this, the author uses the example of a passenger who would make one trip via Orly and the other via Charles de Gaulle. While obviously the vast majority of customers make the round trip via the same Paris airport.

As for the problem of Transavia not taking into account luggage in the case of a connection, the author seems to have discovered how low-cost airlines operate.

Finally, it should be remembered that low-cost airlines (Transavia, but also easyJet) offer their customers the possibility of creating their own journey by combining flights of different airlines. In the case of Transavia, this is Transavia Smart Connect, which systematically includes protection in the event of delay or cancellation of one of the flights, in order to guarantee arrival at the destination as soon as possible. This guarantee, Dohop Connect, is provided by the partner Dohop.

Finally, the question is: why such an article? Perhaps to highlight the SNCF.

KLM: additional support is needed

(source De Telegraaf, translated with DeepL) September 1 - **KLM told De Telegraaf that it will need extra help when the NOW program is stopped after October 1.** Transavia can get by without additional aid. A KLM spokesperson said the airline is grateful for the support it has received so far, but points out that the travel and tourism sectors are still under significant pressure due to the coronavirus crisis. This support was still incredibly important, so it is a shame that it has been

discontinued," the spokesperson noted. **KLM welcomes the news that the government has left "an opening" for possible support measures in the fourth quarter** for heavily affected industries, and is in favour of an "appropriate interpretation" of additional support measures, the spokesperson added.

The paper briefly notes that the lower-than-expected capacity with which KLM has been able to operate could impact its ability to repay the €3.4 billion loan from the Dutch banks and state. KLM may also be forced to introduce further cost-cutting measures, the paper speculates.

***My comment:** Through the NOW programme, the Dutch government is compensating part of the loss of turnover of companies affected by the health crisis.*

The KLM group is by far the biggest beneficiary of this programme, receiving more than €1 billion. This allowed KLM to avoid using the entire loan from the Dutch government.

Lufthansa does not expect the US ban to be relaxed before Christmas

(OTP source, translated with DeepL) Sept. 3 - German airline **Lufthansa doesn't expect the U.S. entry ban for European travelers to be lifted before Christmas**. An easing of entry restrictions is not realistically expected before the end of the fourth quarter, board member Harry Hohmeister said in an online conference hosted by fww's TravelTalk magazine.

At Lufthansa, it was hoped that the ban on non-essential travel, in place since March because of the corona pandemic, would be lifted in July this year. Lufthansa CEO Carsten Spohr set his target for September at the time, but quickly indicated that he no longer felt able to make predictions.

The European Union lifted its restrictions on American travelers in June. Hohmeister said he doesn't understand the logic behind the U.S. decision to maintain an entry ban on Europeans, given that vaccination rates in the U.S. and many European countries are at similar levels. The fact that flights from the US remain profitable for Lufthansa, despite weak demand, is not only due to US citizens flying transatlantic, but also to a boom in the air cargo sector. **Lufthansa is filling its passenger planes "to the brim with cargo,"** says Mr. Hohmeister.

A few days ago, **Spohr predicted a "long, cold winter" for the airline group, especially since China is not expected to ease travel**

restrictions until the second quarter of next year either. Normally, Lufthansa makes much of its profit from long-haul flights to North America and Asia.

***My comment:** The health crisis continues. Except in China and the United States where the domestic market allows airlines to consider a return to financial balance, in all other regions of the world airlines will experience a difficult winter season.*

> **Boeing sees mega order from Ryanair fly away**

(source Les Echos) September 6 - Pure Ryanair! While the Irish low-cost airline has been promising a new mega order for Boeing 737 Max aircraft for months, its CEO, Michael O'Leary, has publicly announced the failure of negotiations with the American aircraft manufacturer, not without a few scratches in passing.

In a statement released on Monday, **Ryanair said that discussions "for over ten months regarding a major new order for Max 10 aircraft [...] have ended without any agreement on price"**. "Therefore both parties have agreed not to waste any more time on these negotiations," the company says, in its no-nonsense style.

"We do not share Boeing's optimistic pricing outlook, although this may explain why in recent weeks other major Boeing customers, such as Delta and Jet2, have placed new orders with Airbus, rather than Boeing", Michael O'Leary adds, as a kick in the pants.

Until now, Ryanair had always managed to get along with Boeing, notably by ordering 75 additional B737 Max 8s from Boeing last December, albeit at the cost of big cuts. **With 210 aircraft on order, Ryanair's fleet should exceed 600 aircraft by 2025, all Boeing 737s.**

But in this case, Boeing is seeing a potential order of 200 Max, with a theoretical value, excluding cuts, of around 25 billion dollars, disappear at a time when its single aisle aircraft is in dire need of a facelift. This setback is aggravated by the fact that it concerns the brand new version of the 737, the Max 10, which is still undergoing certification.

Capable of carrying up to 230 passengers, compared to 197 for the previous, denser version, the 737 Max 10 is supposed to compete with Airbus' new super best-seller, the A321. But for the moment, it seems to be struggling to catch up with its competitor. In the last few weeks, the Airbus A321 has won two more contracts against Boeing and its 737 Max, one with the American airline Delta for 30 A321s and the other with the British low-cost airline Jet2.

However, **Boeing's refusal to sell off its Maxes also reflects a strategic choice, which is to give priority to restoring its**

profitability over its market share. Ryanair's strategy has always been based on obtaining huge discounts (of the order of 50%, it is said) in return for very large orders. Like car rental companies, Ryanair's business model includes reselling its planes as soon as their price on the second-hand market crosses the discounted purchase price.

It remains to be seen whether Ryanair or Boeing will crack first. For the time being, both seem to be able to wait. Despite an encouraging summer, the recovery in air traffic is still uncertain and incomplete. As for the Boeing 737 Max, the first deliveries will not begin before 2023. Unless, by then, Ryanair finally decides to place an order with Airbus. However, this is highly unlikely, as the switch to a composite fleet is a source of additional costs that are fundamentally contrary to the low-cost model.

***My comment:** Ryanair's (temporary) withdrawal should not affect Boeing.*

For the manufacturer of the B737 MAX, the main thing was that Ryanair gave a favourable technical opinion on this aircraft. Boeing will be able to use this opinion to convince other airlines to renew their confidence in this model.

The fact that Ryanair finds the price too high should not scare off potential customers.

> **Airbus: first Airspace cabin at Lufthansa**

(CircleFinance source) Sept. 6 - **Airbus says Lufthansa has started operations on its first A320 Family aircraft equipped with its new Airspace cabin**, making it the first operator in Europe to introduce the new cabin features on a single-aisle aircraft.

In 2018, the German airline, a long-time A320 Family customer and one of the world's largest Airbus operators, has chosen to equip more than 80 of its new A320 Family aircraft ordered from Airbus with Airspace cabins.

New Airspace features include thinner sidewall panels, improved window views, larger baggage compartments and the latest full LED lighting technology.

Air transport worried after new restrictions announced

(source Franceinfo) 5 September - With queues at security and check-in, and long queues at some major hubs, the **summer season has finally been better than expected for European air transport professionals.**

In August, the number of passengers reached 71% of the 2019 level before the health crisis, exceeding the most optimistic forecasts of the Eurocontrol surveillance body. Elsewhere in the world, in the United States, domestic traffic was only 28% down in July compared to the same period in 2019. And in China, a market that has been very tightly sealed until now, airlines have cut their losses by almost 50% this summer.

Despite this wind of optimism, **a part of the sector does not hide its concern to see the scenario of 2020 repeated: A summer marked by a nice recovery, before a catastrophic relapse before the arrival of a second and then third wave of the epidemic.**

Today, the professionals are navigating with their eyes open. Michael O'Leary, the boss of Ryanair, is expecting a difficult winter after announcing a return to profit this summer. His counterpart at Lufthansa is talking about a "long and cold winter". As for the Air France-KLM group, which has already lost more than 10 billion euros since the beginning of the crisis, it is refraining from making any traffic forecasts for the fourth quarter.

(...)

To revive the activity of the sector, which lost 126 billion dollars in 2020 alone, **IATA urged governments this week to restore the freedom to travel.** Air transport, a globalised industry par excellence, has to deal with "piecemeal, unilateral and transitory, unsustainable" government measures, as we will be living with Covid for some time to come, argued **the promoters of a global health security consortium**, including former Prime Minister Tony Blair. They are **calling on the G20 to introduce a globally recognised vaccination certificate to boost air travel between continents.**

Nicolas Notebaert (Vinci Airports): "we need a global health pass".

(source BFM Éco) September 3 - While air traffic has taken off again this summer thanks to vaccinations, **the head of Vinci airports wants the health pass system to be extended worldwide.**

(...)

If tourism and family travel have enabled the sector to take off again this summer, overall traffic nevertheless remains down on the pre-crisis years. According to the boss of Vinci Airport, the overall traffic was down 63% in July compared to 2019. The fault of the business activity that has not recovered in Europe and the many restrictions that persist. It is to allow the recovery of this traffic that Nicolas Notebaert wants a global

health pass.

We must point out the great success of the European health pass," he says, "travellers saw it this summer; Europeans travelled with this health and technological initiative that is the QR Code. **We need a harmonised tool to make the passage through airports more fluid. The solution is that the major areas of the world, the United States, Europe and Asia, recognize the same vaccines with a common tool. We call for the generalization of the health pass at the global level"**

(...)

My comment: *The Covid-19 virus is present in all countries. To date, vaccines provide similar protection against this virus.*

Even if the conditions of entry into the various countries have to be adapted to the local health situation, the most elementary logic would be that health checks should be identical in all countries, using one and the same tool.

If the States were not capable of reaching unanimous agreement on a tool, how can we imagine that they could agree to fight global warming effectively!

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 sites of the managers.

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 the letters you receive from the various managers, Natixis, Société Générale, and 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 **3.907 euros** on Monday 6

September. It is down this week by -1.76%.

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 down slightly by \$1 to \$72.

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

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

This indicative information does not constitute an invitation to sell or a solicitation to buy 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 employees and former employees who are PNC and PS shareholders.

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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