

EU-Qatar comprehensive air transport agreement



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

**François Robardet**

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

N°830, October 18, 2021

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### *Monday's Press Review*

#### **The implementation of the EU-Qatar comprehensive air transport agreement will have to bring about the long awaited financial transparency**

(source press release, translated with DeepL) February 18 - On the **occasion of the signing of the Comprehensive Air Transport Agreement** (hereinafter: "Agreement") **between the EU and the State of Qatar, Europeans for Fair Competition (E4FC) once again calls for the crucial importance of the implementation and enforcement of the provisions set out in the Agreement.**

E4FC believes that the signing of the agreement offers a unique opportunity to follow up on the cornerstones of the agreement, which - as of now - will be applied provisionally. In practice, the EU market will now be immediately and unilaterally opened up to Qatar Airways, an airline that already claimed to be the largest in the world and which - thanks to unchecked state support - chose to fly more routes than any other airline during the COVID-19 crisis, regardless of passenger demand. At a time when airlines around the world are being hit by the pandemic, financial transparency is more important than ever. **The European Commission must therefore investigate and tackle any unfair practices that may have an impact on fair competition in the EU market.**

The agreement provides for regular consultation between the parties in

the form of a joint committee, which is responsible for the proper implementation of the agreement. E4FC urges the European Commission to convene an immediate meeting of the Joint Committee which could begin to address competition issues as well as cooperation on environmental, social, safety and security issues.

***My comment:*** *How can we believe that the European Commission will manage to curb the unfair practices of non-European airlines? It has never been able to force a company like Ryanair, which has been condemned many times, to give up its illegal practices.*

*Moreover, the unions in France and the Netherlands have pointed out that the agreement, negotiated before the Covid-19 crisis, "does not take into account the evolution of environmental issues".*

*In short, Qatar Airways will not be subject to the same environmental constraints as Lufthansa or Air France-KLM.*

## > **Air France and SNCF have made peace on domestic routes**

(source Le Figaro) October 16 - Competitors yesterday, partners today. There was a time, not so long ago, when **Air France and the SNCF were engaged in a merciless war on domestic routes**. So, in mid-2017, when the historic rail operator opened the Paris-Bordeaux TGV in 2 hours, the national airline retaliated by offering rocket prices on this route. Today, **Air France has buried the hatchet** (...). "The opposition between trains and planes is a rearguard action", summarized Anne Rigail, General Manager of the French airline, last June. As proof of this new state of mind, **Air France and the SNCF have given a new lease of life to an old product called Train + Air. The idea? Rather than taking two separate tickets (for example, a Strasbourg-Paris ticket from SNCF and an Orly-Pointe-à-Pitre ticket from the blue-white-and-red airline), the traveller buys the package from the air carrier**. This makes life easier for the customer," explains Jérôme Laffon, marketing director of Voyages SNCF. If they miss the plane because of a TGV delay, they automatically have a seat on the next flight. And he earns airline miles by taking the train.

The SNCF has a partnership of this type with twelve airlines (Qatar Airways, Corsair ). But it is with Air France that it gives the most results: of the 300,000 Train + Air tickets sold in 2019, 160,000 were sold with a flight of the tricolored company. (...) **Air France (...) now offers its customers to reach the capital by train even though it operates**

Marseille-Paris **flights**. The health crisis has reshuffled the cards: the challenges of global warming and the advantages of trains that emit less greenhouse gas have become decisive in the eyes of many travellers. And Air France has decided to take this into account. Some of our passengers prefer a low-carbon alternative when it exists," stresses Vincent Etchebehere, Director of Sustainable Development and New Mobility at Air France. **This is not a problem for us because it does not take away any customers on our domestic routes. It's additional traffic".**

(...)

For its part, the SNCF also sees its interest in this: through this channel, it sells TGV tickets without making too much effort, as Air France markets them for a commission. As a result, the two parties have decided to move up a gear. **Until November, the rail operator and the national airline are testing the digitalization of the Train + Air package on two routes (Strasbourg-Paris and Lille-Paris). Until now, passengers who bought this product had to collect it from the station,"** explains Jérôme Laffon. Now, they are downloadable e-tickets. This new formula should be deployed throughout the network next year. In addition to the convenience for passengers, this will make it possible to offer the product in almost all 230 TGV stations.

(...)

***My comment:*** Almost everything contributes to making the new Train + Air formula a success.

*the environmental constraints imposed by the French government encourage passengers to prefer the train;  
customers believe that the train is more ecological than the plane;  
the duration of the trip is no longer a major criterion;  
with the suppression of the vouchers, one of the first causes of complaint disappears.*

*Under the previous system, customers bought a plane ticket from Air France along with a voucher for the part of the journey made by train. The ticket had to be collected from the station, at a ticket office with incompatible timetables with certain trains. Passengers either exchanged their voucher the day before or paid a fine on the train.*

*Nevertheless, there are still obstacles.*

*Some routes, mainly between Lyon and Paris, are saturated. Optimisation work, which is very costly, is underway, but should not be completed for several years.*

*It should also be noted that stations close to airports, such as Roissy-Charles de Gaulle, cannot accommodate many more trains.*

### > **Air France-KLM threatens with legal battle regarding Schiphol fee hike**

(source several Dutch newspapers, translated with DeepL) October 17 - **Air France-KLM is preparing a legal battle against Schiphol's plan to increase its charges by 40 percent over the next three years.** The group, which is by far the biggest user of Schiphol, will take its case to the competition watchdog ACM. In a strongly worded document in response to the planned increase, Air France-KLM says it will not foot the bill for the costs of the new pier, which has been significantly over budget. **According to the group, the increase would be unreasonable, inappropriate and unacceptable given the current situation in the aviation industry.** Shareholders, who have benefited greatly from Schiphol's profits in recent years, should be asked to cover the costs first. The main shareholders of Schiphol are the Dutch government and the municipality of Amsterdam.

**Air France-KLM points out that other major European airports have introduced much lower increases in charges or even frozen charges during the crisis.** The group also points out that the airlines operating at Schiphol have no choice but to operate from this airport.

### > **Air France-KLM and Lufthansa to join forces with ITA Airways**

(source La Tribune) October 18 - **Alitalia is no more. ITA Airways took over** with a first flight on Friday 15 October between Milan-Linate airport and Bari. On this occasion Alfredo Altavilla, **its president, reminded the audience that the new Italian state company "was not born to remain alone"**, as reported by AFP. Discussions are therefore underway to establish a structuring partnership by the end of 2022 with another airline. A prospect that attracts covetousness, starting with the major European groups Air France-KLM and Lufthansa, but also the American Delta Air Lines. As a long-standing partner of Alitalia, **Air France-KLM wants to create a strong relationship with ITA Airways.** The Franco-Dutch group has already initiated discussions to establish a new partnership with the Italian company. This could go as far as entering into a "joint venture", a highly elaborate commercial partnership corresponding to the highest possible level of integration between airlines before a merger. The most obvious would be the transatlantic joint venture, which has brought together Air France-KLM, Delta Air Lines and Virgin Atlantic

since 2020.

(...)

Moreover, it is not impossible that Air France-KLM will also propose to ITA Airways to join another joint venture. This time to China.

(...)

The establishment of a partnership between Air France-KLM and ITA Airways would finally strengthen the possibility of the latter taking over from Alitalia within SkyTeam. Although not a founding member, the now ex-Italian carrier joined the global alliance in 2001, one year after its creation.

(...)

**Lufthansa is also in the running.** At the IATA General Assembly, Carsten Spohr, the group's CEO, hinted that he had met with his Italian counterpart. He added that Italy was its second international market after the United States. Following the example of Air France-KLM, the German group is considering all types of commercial agreements and could go as far as setting up a joint venture with ITA Airways, probably on the North Atlantic where it is already associated with Air Canada and United Airlines.

(...)

**The last candidate could be Delta Air Lines,** Air France-KLM's historical partner. The American company, strengthened by the recovery of its domestic market, would be tempted by a commercial agreement with its Italian counterpart. Here again, all options are on the table, even if this would probably be within the framework of the Air France-KLM and Virgin Atlantic joint venture.

If ITA Airways seems so attractive at first glance, it's because the Italian market was strong before the crisis.

(...)

However, this could all be a sham. First of all, ITA Airways is currently a shadow of the Alitalia of a few years ago. Its fleet consists of only 52 aircraft, of which barely 7 are long-haul and will be deployed mainly from Rome, not Milan.

(...)

According to one observer, Air France-KLM and Lufthansa know the Italian market very well. The two groups are thus perfectly capable of strengthening their own services to the north of Italy in order to attract business traffic to their respective hubs rather than allying themselves with ITA Airways.

(...)

**For the time being, none of the candidates seem willing to go further than a commercial agreement. However, the question of a shareholding could well arise in the medium term. According to one analyst, ITA Airways will find it very difficult to develop without**

**the contribution of another air transport group on the capital and operational level.**

***My comment:** Alitalia is dead, long live ITA Airways.*

*The new Italian airline has severed all ties with Alitalia, leaving the Italian government with a colossal liability. According to the Italian press, between recapitalizations and bridging loans, the Italian state will have disbursed 14 billion euros.*

*Ironically, ITA has just bought the Alitalia brand for EUR 90 million, whereas Alitalia's receivers were demanding EUR 290 million. So Alitalia is not quite dead.*

### **> Delta Air Lines reports third-quarter profitability but worries about fuel prices**

(AFP source) October 13 - US airline **Delta Air Lines said** on Wednesday it made **a profit in the third quarter**, but warned that high fuel prices could weigh on its balance sheet by the end of the year. From July to September, the company made a net profit of \$1.2 billion (or \$1.89 per share). That's down from \$1.5 billion in the same period in 2019, before the pandemic began.

The quarter "marked an important milestone in our recovery with our first quarterly profit since the start of the pandemic," Delta boss Ed Bastian reacted in a statement.

(...)

**Delta is concerned about the impact that rising gasoline prices could have on its future results.** "If demand continues to improve, the recent rise in fuel prices will weigh on our ability to remain profitable in the final quarter," Bastian warned. The group expects the price per gallon (about 3.8 liters) of fuel for its aircraft to be in the range of \$2.25 to \$2.40, higher than the \$1.94 average seen between July and September.

**Oil prices are currently trading at levels not seen for several years in a** market affected by a lack of supply and very strong demand. The barrel of WTI in New York even exceeded the \$80 mark on Monday, the first time this has happened since October 2014. On Wall Street, Delta's stock was down 1.3% in pre-market trading.

Delta further reported that 90% of its employees are currently vaccinated against Covid-19. Starting November 1, the company plans to impose a \$200 monthly fine on all employees with company health insurance who have not been vaccinated.

**My comment:** For US airlines, which make most of their profits on their domestic network, the recovery has begun.

### > IEA says energy crisis will support demand for oil

(source AFP) October 14 - The International Energy Agency (IEA) on Thursday raised its forecast for global oil demand in 2021 and 2022, betting on a strong appetite for crude to replace out-of-favour gas and coal.

**"Oil prices are at their highest levels in years as shortages of natural gas, LNG and coal support oil demand,** which could keep the market in deficit until at least the end of the year," the IEA noted in its monthly oil report.

High gas and coal prices are thus encouraging energy-intensive industries and power producers to turn to oil instead "to keep the lights on and the machines humming".

**The global energy crisis could add** up to an additional 500,000 barrels per day of **crude oil demand compared to** normal, according to the IEA, which advises developed countries on their energy policies.

(...)

**Global demand is now expected to increase** by 5.5 million barrels per day (mb/d) in 2021, then by 3.3 mb/d in 2022, **to reach 99.6 mb/d, slightly above pre-Covid levels.**

Oil prices have risen sharply in recent months, fuelled by the global economic recovery and the caution of producing countries, which are increasing supply sparingly. North Sea Brent crude is currently trading well above \$80 a barrel.

(...)

**My comment:** The IEA's forecasts are in line with those of the Organization of the Petroleum Exporting Countries (Opec).

*If these forecasts come true, the price of oil could remain high for many months. The consequences would be significant for airlines (one third of their expenses are devoted to kerosene) and for all consumers of oil derivatives.*

## **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 **4.131 euros** on Monday 18 October. **It is stable this week (+0.07%).**

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.

**The price of Brent crude oil (North Sea) is still up, by \$1, to \$85.**

From a low point at the end of October 2020 (\$37), it has risen steadily, reaching \$69 in early March 2021. Since then, it has oscillated between \$69 and \$77. It passed this threshold at the end of September.

**At \$85, Brent has reached a price not seen since 2014,** supported by supply disruptions and underlying demand. Natural gas prices continue to rise to their highest level in at least seven years. Investors seem to feel that hydrocarbon producers have cut back too much during the pandemic so that demand pressure is unbalancing the market.

**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 UNPNC. This press review deals with subjects related to the Air France-KLM shareholding.

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