

French airlines launch a new appeal for help



I Letter from the Director of Air France-KLM

François Robardet

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

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Monday's Press Review

French airlines launch a new appeal for help

(source Les Echos) October 25 - Despite the summer upturn, **the French air transport industry still needs the help of the State to survive the crisis**. This is the message sent with one voice to the government by the heads of the three main French airlines: Anne Rigail for Air France, Pascal de Izaguirre for Corsair and Marc Rochet for Air Caraïbes and French Bee.

While air traffic has picked up this summer on medium-haul routes, long-haul traffic, which accounts for most of the activity of French airlines, has not really taken off again. The resurgence of the epidemic in the West Indies and the non-reopening of the United States this summer have dealt a heavy blow to French airlines. And with the end of the holidays, demand has fallen back, as business travel has not recovered sufficiently to take over from holidaymakers.

"Passenger traffic, which had risen to 57% of the 2019 level in August, fell back to less than 52% in September," stressed Alain Battisti, president of the French Federation of Merchant Aviation (FNAM). **From January to the end of September, we are only at 35%, in total, 18% on North America, 8% on Algeria, 4% on China ...** As for the turnover of French companies, it is 60% lower than in 2019. Rare are the sectors to support such a situation".

An observation unanimously taken up by the leaders of Air France, Corsair and Air Caraïbes, who are therefore reduced to launching a new

collective appeal for help from the State. **The main thrust of these requests, sent to the government, is however to extend and refine the existing measures.**

At the top of the list is the aid for long-term partial activity (APLD) that the companies would like to see extended beyond 2022 and, above all, revalued to 70% of the gross salary (within the limit of 4.5 times the SMIC). This is to avoid having to lay off employees. The carriers also consider the €10 million ceiling set for the coverage of the fixed costs of companies to be too low. "For companies the size of ours, at least 50 million euros would be needed," says Corsair's boss. He and his colleagues also hope to be eligible for the future fund known as "closure", which is being developed by the Ministry of Finance, for companies that are victims of administrative closure.

However, more than new financial aid, **the French companies expect above all that one does not increase their burden in the next months**, by requiring that they begin to refund the guaranteed loans and the exemptions of social charges. "We are arguing for a rescheduling of repayments from 2024," Pascal de Izaguirre said.

In the same spirit, **the leaders of Air France, Corsair and Air Caraïbes are also worried about an all-out increase in air traffic control and airport fees**, which would seek to make up for the revenue lost during the crisis. "We have been told that there will be a 44.5% increase in en-route air traffic control fees in France, a 39% increase in approach fees in Paris, and a 27% increase in the provinces... It's unbearable," says the Corsair boss.

"It would be a pity if the State, which has done a lot for air transport, were to sacrifice it", summarizes Alain Battisti. **All the more so as another colossal challenge is already looming on the horizon: that of decarbonization, "which implies considerable costs", warned the head of Air France.** "For a company like Air France, alternative fuels added to the costs of compensation programs [for CO2 emissions], will represent an additional cost of **several hundred million euros by 2030 and several billion in 2050, explains Anne Rigail.** The State will have to support us.

My comment: *In 30 years, air transport has been confronted with many difficult situations: two wars in Iraq, the Asian currency crisis, bird flu, September 11, 2001, SARS (Severe Acute Respiratory Syndrome), the eruption of the Icelandic volcano Eyjafjöll, swine flu, the Ebola virus, the subprime crisis...*

Until now, air transport has always shown resilience.

But the current crisis is exceptional: because the outcome of the health crisis depends on the behaviour of the population in the face of the virus, because the crisis is exceptionally long and because of the expected reduction in the impact of air transport on global warming.

Should the current aid measures be extended? The answer from the heads of the main French airlines is clear: we must.

> **Montpellier Airport: "It will be possible to make a return trip to Paris during the day" says Transavia**

(source Midilibre) October 19 - **Transavia responds to MP Vignal's demand to maintain the Air France shuttle.**

The Transavia company did not appreciate the words of Patrick Vignal, MP, who mobilized many of his peers against the announced cancellation of the Hop! Air France shuttle between Montpellier and Paris, by sending a petition to the CEO, Benjamin Smith. As of 8 November, the subsidiary will take over and, a manager assures us, "the service will not be degraded".

The parliamentarian's argument is based essentially on the attractiveness of the route for so-called business travellers, and this Transavia executive assures us that it will be possible "to make a return trip to Paris during the day". Mentioning in particular a first departure at 6.45 am, for a return at 6.40 pm. This argument was dismissed by the MP: "That means that you have to leave the centre of Paris at 4 p.m."

Transavia also refuses to consider that there will be fewer rotations with its planes, compared to Hop! "Let's **not forget that there was a pre-Covid and a post-Covid period. There are already far fewer planes in recent months.**" "Perhaps," intervenes **Senator Jean-Pierre Grand, "but with the end of the crisis, the needs of business leaders will increase again.**

The elected official had also questioned the CEO of Transavia this summer, Nathalie Stubler, asking her to ensure good quality of service, particularly on one point: "That the planes, at Orly, land 'on contact', that is to say in the halls, and not 'off', on the runway".

A subject, we are assured by Transavia, which is not the responsibility of the companies, but of Paris Airport. Jean-Pierre Grand, who signed the petition launched by Patrick Vignal, says he has had assurances from the CEO. But concludes with a: "The commissioning is close, we will quickly measure the situation".

My comment: *If, as local politicians suggest, there is a real need for round trips between Montpellier and Orly, Transavia will have to meet it.*

If not, the low-cost airline of the Air France group will leave the place to easyJet, which already increases from four to twelve weekly rotations on this Orly-Montpellier route.

AFI KLM E&M and Triumph finalize the creation of their joint venture xCelle Americas

(source Le Journal de l'Aviation) October 21 - **AFI KLM E&M and Triumph finalized their joint venture project** at the MRO Europe show which started on October 20 in Amsterdam. **The new company, which will specialize in nacelle overhaul for new generation aircraft**, has been named xCelle Americas and will be headed by Philippe Martin de Beaucé.

The project to create xCelle dates back to 2019 and had already reached a major milestone last April when the final agreement - but still needing to be approved by the authorities - was signed between the two partners. On that occasion, they had already announced the scope of the company and the choice of Triumph's repair site in Hot Springs, Arkansas, as the base of its activities.

xCelle Americas will be able to work on Boeing 787 and 737 MAX nacelles, as well as Airbus A320neo and A350 nacelles. It is targeting operators of these aircraft in North and South America. For the Dreamliner, repairs will be carried out under the license granted to Air France by Rohr (a Collins Aerospace subsidiary).

(...)

The two partners also reiterated that xCelle was a first step in a strategic partnership that is now being expanded.

> Why Corsair is setting foot in Bordeaux to serve Guadeloupe

(source La Tribune) October 21 - The turbulence of the health crisis has been particularly marked for the company **Corsair** which **finally changed hands last January before refocusing on a handful of destinations: Martinique, Guadeloupe, Reunion, Mauritius, Ivory Coast and Canada.** The company, which is celebrating its 40th anniversary, is still managed by Pascal de Izaguirre but its shareholding is now made up of some twenty investors, mainly present in the French overseas departments, mixing both private players and overseas territorial authorities. And Corsair, which employs 970 people against about 1,200 before the crisis, now wants to move forward.

"The crisis is not yet over but we have decided to maintain our course of development of our network and modernization of our fleet," explains

Pascal de Izaguirre. This October 21, he is in Bordeaux to announce a new weekly direct route between Bordeaux-Mérignac and Point-à-Pitre, in Guadeloupe, from December 17, 2021 and until May 1, 2022.

A launch that is part of a series of reopenings and new routes operated by Corsair from Paris (Mauritius, Dominican Republic, Abidjan and Montreal) but also from provincial airports: Lyon-Marseille-La Réunion-Maurice since June 21; Nantes-Fort-de-France on December 7, Lyon-Point-à-Pitre on December 17 and Bordeaux-Point-à-Pitre on December 19.

"We are carrying out an ambitious programme from the provinces because this is a market that is not occupied and not satisfied today. And the booking dynamics seem to show the relevance of these flights since we observe higher booking rates than routes departing from Paris! For example, we already have a load factor of over 50% for Bordeaux-Point-à-Pitre", explains Pascal de Izaguirre.

(...)

The weekly flights operated on Sundays to Guadeloupe will in fact be Paris-Bordeaux-Point-à-Pitre since Corsair's only metropolitan base remains at Paris Orly. Combined options with the TGV to reach Orly by train are also proposed for the outward and return journey to allow more flexibility in dates. For its part, **Bordeaux-Mérignac airport, which has** just inaugurated its new international pier, welcomes **this first route opened by Corsair**, which will increase its offer. "With this type of direct destination, **we hope to reach a fairly large clientele from the whole region, and even from Nantes and Toulouse**", stresses Jean-Luc Poiroux, the airport's development director, while the company Chalais has just announced the reopening of the Bordeaux-Montpellier route with four weekly flights.

(...)

***My comment:** For several months, Air France has decided to increase the number of its flights between the DOM and the mainland.*

It is undoubtedly to face this new competition that Corsair reacts by opening routes from major provincial cities.

Success is not guaranteed, since it depends on Parisian customers agreeing to go via Bordeaux to get to Guadeloupe.

737 MAX: Former Boeing test pilot charged with fraud

(source Les Echos) Oct. 15 - U.S. justice officials are still trying to get to the bottom of the two Boeing 737 MAX crashes that killed 346 people in 2018 and 2019. **A former Boeing test pilot was indicted Thursday,**

accused of misleading the U.S. aviation regulator during the 737 MAX certification process. A malfunction in the plane's anti-stall system caused the two crashes and grounded all planes of the model for nearly two years.

According to the Justice Department, Mark Forkner "provided the agency with false, inaccurate, and incomplete information about a new part of the Boeing 737 MAX's flight control system," the MCAS, the anti-stall software that is supposed to prevent the plane from going into a dive.

Boeing has already acknowledged its responsibility in the manipulation of the authorities and agreed in January to pay more than 2.5 billion dollars to settle certain lawsuits. At the time, the aviation giant acknowledged that two of its employees had misled the regulator, the FAA. The former pilot is the first individual to be personally prosecuted in the case.

According to the prosecution's documents, the manager had discovered in 2016 a major change made to the MCAS. In a message to a colleague revealed in 2019, he had said, among other things, that the software made the plane difficult to fly in a simulator. But he **deliberately chose not to share that information with the FAA,** which had led the regulator to not require specific pilot training and not include any reference to MCAS in training materials.

"Basically, it means I lied to the regulators (without knowing it)," Mark Forkner wrote to his colleague at the time. **Forkner also boasted that he was able to deceive his FAA counterparts in order to obtain certification for the MCAS stall protection system.** Forkner was formally indicted by a grand jury in Texas on two counts of fraud involving aircraft parts and four counts of electronic communication fraud. If convicted, he could face up to 100 years in prison.

***My comment:** In 2006, Boeing decided to replace its old B737 with a plane (code name Boeing Y1) inspired by the B787.*

But when Airbus announced the arrival of its A320neo, Boeing was taken by surprise.

The US manufacturer decided to stop its project and modify the B737 by installing a new, more fuel-efficient engine. For technical reasons, Boeing was forced to install a "patch" computer system, the MCAS (the anti-stall system).

By withholding information from the FAA, did the test pilot act on his own?

Did Boeing decide to minimize the difficulties associated with the use of this new system in order to avoid additional pilot training costs for its airline customers?

It will be up to the courts to decide. Already, voices have been raised in the United States, saying that the accused pilot was mainly a scapegoat.

Germany: bankruptcy for Frankfurt-Hahn airport

(source Air Journal) October 20 - The German airport of Frankfurt-Hahn (HNN) has filed for bankruptcy, a victim of the Covid-19 pandemic which has brought air transport to a halt, including the low-cost airlines it used to host. Some 2,000 employees work there directly

The court in Bad Kreuznach announced on 19 October 2021 that **the platform located halfway between Frankfurt and Luxembourg, which currently hosts four airlines: Ryanair (34 routes including 4 to Morocco), Wizz Air (10), FlyOne (4) and Air Serbia (1), plus cargo carriers, would file for bankruptcy.** The Chinese group HNA, which owns 82.5% of the complex, has requested "the opening of a collective procedure" according to the court, a law firm having been appointed to administer the airport during the procedure.

Opened in 1993 on a former US base by the Rhineland-Palatinate region (which still holds 17.5%) and acquired in 2017 by HNA, Hahn airport specialises in cheap flights: it presents itself online as "the first low-cost airport in Germany". **In 2019, it had attracted nearly 1.5 million passengers**, but due to the health crisis lost about 70% of its traffic in 2020; its cargo traffic represents about 170,000 tons per year. **However, Hahn remained in the shadow of its rival 120 km away, Frankfurt airport and its 70 million passengers per year - and which eventually attracted Ryanair.** The company has long suffered from financial instability, going into debt and relying on government subsidies to remain solvent. Chief operating officer Christoph Goetzmann recently said losses were expected in 2020 as Hahn Airport did not use government aid or cut employee hours during the pandemic; he was aiming for a return to profitability in 2024.

My comment: *Be careful not to confuse the small airport of Frankfurt-Hahn (code HNN) with Frankfurt-Rhein/Main (code FRA), the largest German airport.*

What happens at this airport could happen at other small European airports. Many of them are located within two hours or even an hour's drive of major airports.

For example, no less than seven international airports (Strasbourg, Karlsruhe/Baden-Baden, Basel/Mulhouse, Zurich, Munich, Frankfurt, Stuttgart) are located within two hours of Strasbourg.

This situation is repeated almost everywhere, especially in France. For the record, the late Notre Dame des Landes airport was intended to replace most of the airports in western France.

> French airports face the wall of security costs

(source Les Echos) October 19 - The end of the crisis looks particularly long and difficult for French airports. Not only has the government not granted them the same aid as the airlines, but they are now forced to take on expenses that are theoretically the responsibility of the State, even if it means going further into debt.

At the heart of the problem is a French specificity: **France is the only country in Europe to make passengers bear the cost of safety and security measures via the airport tax.** That is, baggage and passenger screening, as well as firefighters and their equipment. But with the unprecedented drop in traffic, these fixed costs were no longer covered by the revenues. So much so that **in 2020, the State had to grant an advance of 300 million euros to all the airports, so that they could continue to ensure these controls.**

It was only an advance... As of 2021, the problem of financing safety and security controls arose again. **"For 2021, the amount of the advance of 250 million euros will not be enough to cover the expenses,** explains Thomas Juin, the president of the Union of French airports. It would be €100 million short and no additional amount has been provided for in the rectifying finance law."

In its projections for 2021, the Directorate of Civil Aviation would indeed have overestimated the recovery of traffic.

(...)

The problem should arise again **in 2022, with a deficit that could still reach 180 million and a sum to be reimbursed that will only have increased.** From 2024, airports will have to start repaying, from the airport tax, the advances collected since 2020," worries the president of the UAF. The total should be close to one billion euros, or as much as the annual amount of security expenses. Even if a smoothing of the refunds is planned, this would imply a considerable increase in airport taxes, to the detriment of their attractiveness."

(...)

The 2022 finance bill would already raise the airport tax ceiling from €14 to €15 per flight. But French regional airports are already

among the most expensive in Europe. According to the DGAC observatory, the "touchdown costs" in French regional airports, paid by airlines, are on average twice as high as in Spain and Portugal (31.50 euros against 15 euros in Spain) and 35% higher than in Italy. Tourist destinations with which French airports are in competition when it comes to attracting or bringing back low-cost airlines. **"An increase in taxation, at a time when airports are fighting to bring back airlines by lowering their prices, would be a real contradiction in terms,"** says Thomas Juin. We need to get out of this problem by returning to a sharing of security costs and converting all or part of the advances into direct subsidies to airports.

(...)

***My comment:** It's a sea serpent: for years, French airlines and airports have been asking successive governments to assume, like everywhere else in Europe, the financing of the regional security missions carried out by airports.*

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 **3.88 euros** on Monday 25 October. **It is down sharply this week by -6.08%.**

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 \$86. This is the tenth week in a row that it has risen, from \$69 to \$86 since August.

At the end of October 2020, it was at a low of \$37.

At \$86, 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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