

Will AF-KLM be able to pay for its Airbus?



I Letter from the Director of Air France-KLM

François Robardet

Representative of the employees and former employees shareholders PS and PNC

N°844, January 24, 2022

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Editorial

Dear readers, employees or former employees shareholders

The vote to renew your representative on the Air France-KLM Board of Directors will end this Friday.

Those of you who hold :

- directly own Air France KLM shares from the ORS or ESA operations, managed in registered form by Société Générale*
- or shares in one or more mutual funds specific to the Air France group (Concorde, Majoractions, Aeropelican),*

are voters and must have received their voting materials.

If this is not the case, you should contact 0800 10 12 30. If you are abroad, the number is +33 (0)4 74 64 56 49.

You will find on my website the contacts of [Natixis](#) and [Société Générale](#).

Attention: beforehand, think of checking on the Natixis or Société Générale website if you still own shares in the Concorde, Majoractions or Aeropelican funds. Take the opportunity to check if you have requested the mailing by mail or via the Post Office.

I am running for this election with Nicolas Foretz as my replacement. You can consult

[our profession of faith.](#)

Thank you for your trust and support.

François and Nicolas

Monday's Press Review

> Air France-KLM is buying Airbuses in droves, but will it be able to afford them?

(source La Tribune) January 20 - In mid-December, the **Air France-KLM** group **surprised everyone by deciding to switch its entire medium-haul fleet to Airbus from Boeing.**

(...)

Beyond the choice, it is more the ambition displayed by the French group that is surprising: in financial difficulty, in a very complicated context due to the health crisis and the collapse of air transport, how can the French group commit several billion euros to renew its medium-haul fleet, when it already has nearly one hundred aircraft on order?

(...)

Air France-KLM has sharply reduced its net capital expenditure over the past two years. **At the beginning of 2020, the group planned to invest 3.6 billion euros over the year. In the face of the crisis, this figure has been reduced to 1.9 billion euros, including 800 million for the fleet.**

(...)

This did not prevent Air France-KLM from launching a new large order in December: **100 Airbus A320 NEO and A321 NEO, with 60 additional aircraft as options**, to replace the Boeing 737s of KLM, Transavia Holland and Transavia France. (...) Even with significant discounts - notably due to the size of the order - the potential weight for the group's finances is still close to half a dozen billion euros.

To this total must be added the Airbus A350s and 56 A220s that Air France is to receive in the next few years, as well as four Boeing 787s for KLM. This represents a commitment of nearly 5 billion euros for the group, including 3.7 billion over the next three years (including 2022). And that's without counting the operational leases planned to add 737s at Transavia or E195-E2s at KLM Cityhopper.

Despite this colossal weight, **financing should not be an obstacle** to the acquisition of additional aircraft. (...) Air France and KLM can link their financing requests to the value of their ordered assets: the A320 and A321 NEO are in great demand by airlines and are proving very attractive to financiers.

(...)

When asked about the financing methods that will be used, **Air France-KLM put forward two preferred mechanisms for acquiring the aircraft.**

(...)

The first will be financial leasing, backed by banks. The banks will finance the purchase of the aircraft in exchange for a rental payment over a potential period of ten years. Unlike operating leases, this allows the airline to retain full ownership of the aircraft at the end of the lease period, notably through the implementation of a purchase option.

The other mechanism that Air France-KLM will use to limit the impact on cash flow is leasing (better known as "sale and leaseback"). This consists of buying the aircraft, selling it to a financial institution and then leasing it back. Here again, a purchase option can be defined to recover the ownership of the aircraft.

(...)

This situation differs from what was announced when Air France-KLM ordered A350s or A220s in recent years, where full ownership was to be the rule. Before the crisis, the group wanted to increase its level of full ownership. Since then, it has been very discreet on this issue. This principle has even been called into question for the A350s: Air France has financed three aircraft under lease in 2020, then four under operating lease in 2021, for only one fully owned aircraft.

In fact, **the proportion of the fleet held under full ownership has fallen from just over 40% at the end of 2019 to less than 38% by mid-2021.** The percentage of leased aircraft has also fallen by more than two points to 13%, while the percentage of operating leases has soared by 5 points to almost half the fleet at 49%.

While financing is not a problem, the **issue of repayment is likely to be more complicated.** Even if access to financing is easy and the weight can be smoothed out, this is still debt and the group will have to pay cash at some point.

(...)

However, the situation could change in the next few years. So far, airlines have seen a strong rebound in traffic as soon as restrictions are relaxed. Most projections - including those of Airbus and Boeing - agree that **traffic will return to 2019 levels between 2024 and 2027 and continue to grow thereafter.** While this will not erase certain structural weaknesses, in the short-haul division for example, **it may still enable the group to regain margins and return to profit** (more than one billion in operating income in 2018 and 2019, nearly two in 2017).

The fleet renewal will enable Air France-KLM to become more competitive. The A320 and A321 NEO - with new-generation LEAP-1A engines from CFM International or PW1100G from Pratt & Whitney - offer a specific fuel consumption gain of around 15% compared to the Boeing 737s currently in the group's fleet. Like Air France with the integration of the A220s to replace the old generation A318/319s, KLM, Transavia Holland and Transavia France will thus significantly reduce their fuel bills. This is already the case on long-haul routes with the integration of the A350 and 787.

A reduction in maintenance costs is also likely with the arrival of new aircraft and the change in aircraft generation. The group estimates that its new A320 and A321 NEO aircraft will offer a unit cost reduction of more than 10% compared with current aircraft.

(...)

Timing will therefore be of the essence.

(...)

Airlines pay only a small portion of the bill before delivery, usually 3 to 5 percent. (...)

So there is no problem in the short term.

The big part will come when the aircraft are delivered, from mid-2023. And even then, the number of aircraft received in the first year should be relatively modest. Especially since the different financing methods adopted are, once again, intended to smooth out the expenditure over time.

The years 2024 and 2025 should nevertheless prove to be pivotal, with the ramp-up of the A320 and A321 NEO, combined with the delivery of ten A350s and 24 A220s to Air France. The situation should be simpler for KLM, which will only have one last 787 to consider in 2024.

(...)

The delivery schedule is one of the reasons why Air France-KLM has decided to order new aircraft while the crisis is still with us.

(...) **Air France-KLM does not have much time to renew its aging medium-haul fleet. Especially since it has fallen behind its competitors** such as Lufthansa, which ordered A320 NEOs in 2011 for entry into service within the German group in 2016. The IAG group positioned itself in 2013.

Air France must also meet the requirements of the French government. To obtain the €3 billion shareholder loan, as well as a €4 billion state-guaranteed loan (PGE) in April 2020, **Air France had to commit to reducing its CO2 emissions by 50% on domestic flights by the end of 2024 and by half on its entire network by 2030.**

The rejuvenation of the Transavia fleet can therefore make a significant contribution.

***My comment:** These orders are an integral part of Air France-KLM's strategic plan, which aims to improve the group's profitability while respecting its commitment to environmental protection.*

To validate these orders, the Boards of Directors of Air France-KLM, Air France and KLM have based themselves on the results forecasts for the coming years.

Precautions, such as the postponement of deliveries, have been taken to compensate for any delays in the recovery of activity.

> **Hard blow for Air France-KLM: Ben Smith's right-hand man, Angus Clarke, leaves the group**

(source La Tribune) January 21 - The departures are continuing in the circle of Air France-KLM's top executives. While he has just dismissed the controversial KLM boss Pieter Elbers - even if the latter is only supposed to leave at the end of his mandate in 2023 - Ben Smith is also losing his right-hand man. According to sources, **Angus Clarke has just left the group, a little more than three years after his arrival.**

When asked, Air France-KLM confirmed the information.

Executive Vice President in charge of strategy at Air France-KLM and Commercial Director of Air France, Angus Clarke leaves the operational world to return to more financial functions, but still in connection with the airline sector.

His destination, based in the Anglo-Saxon world, could thus be similar to what he has already experienced at Bluepoint Aviation, a company specializing in the leasing and financing of aircraft and engines, which he managed from 2007 to 2015.

It is the 47-year-old Australian who has decided to leave the group. According to a person familiar with the matter, this departure is being made in good understanding.

Most of the major projects he was in charge of have been completed or are being finalized, starting with the renewal of the medium-haul fleet. He was in charge of the tender won by Airbus in December for the purchase of 100 A320 NEO and A321 NEO aircraft for KLM, Transavia Holland and Transavia France. **A task that it has completed successfully, according to the group.**

Still according to Air France-KLM, his replacement is underway, but no details are given as to the scope of his successor or successors. It should not be a job-for-job replacement and his functions will probably be organized differently. It is likely that Angus Clarke will be difficult to replace, given the importance he has assumed in the organization of Air France and Air France-KLM over the last few years. (...)

***My comment:** The content of the article goes against the title, which is catchy to say the least.*

Angus Clarke's contribution to the Air France-KLM group is undeniable but his departure will not put the group in difficulty.

> **KLM could facilitate tax evasion by pilots**

(source FD) January 24 - **The Dutch financial daily Het Financieele Dagblad reports on the second periodic report of the Dutch government representative, State Agent Jeroen Kremers, on KLM, in light of the support KLM received at the beginning of the pandemic.**

FD points out that one of the problems is that KLM should "stop facilitating pilots who live abroad for tax reasons." KLM should therefore no longer allow pilots to travel from countries such as Spain to Amsterdam Schiphol Airport (...) at KLM's expense.

According to Het Financieele Dagblad, one in ten KLM pilots live abroad, while the figure is one in twenty at subsidiary Transavia. Spain is particularly popular, as pilots can obtain an exemption of tens of thousands of euros from their income tax.

According to the newspaper, the government official is discussing the issue with KLM management. Finance Minister Sigrid Kaag said that KLM and the state agent should find an "appropriate solution".

In addition, **Mr. Kremers wrote in his report that he believes that next year KLM will have to make further budget cuts and take other measures to improve its international competitive position.** He argues that the company's productivity must

be increased. Kremers adds that a structural reduction of night flights at Schiphol is awaiting legal anchoring. This reduction is in line with the agreement on the reduction of particle emissions, writes Het Financieele Dagblad.

My comment: *The Dutch State has imposed various conditions on the support measures for KLM.*

One of these conditions is the implementation by KLM of a restructuring plan, the objective of which is to improve the competitive position by reducing controllable costs by at least 15%.

Mr. Jeroen Kremers, designated as State Agent, is supervising the implementation and compliance with the restructuring plan on behalf of the State.

The state agent's remarks on the taxation of pilots' income follow positions taken by several members of parliament..

The VNV, the union of airline pilots in the Netherlands, has sent a letter to its members rejecting Mr. Kremers' statements and reaffirming that the agreements with the pilots are in line with European and international directives.

The union adds that Mr. Kremers is only there to check that KLM meets the government's requirements and not to give his own interpretation on KLM issues.

> Schiphol wants to decide this year on the opening of Lelystad airport

(OTP source) Jan. 23 - **Dick Benschop, CEO of Schiphol Airport, wants a decision to be made this year on the opening of Lelystad Airport.** (...) Benschop pointed out that the aviation sector has been hit hard by the Covid-19 crisis and that the number of flights is still far from the level it was before the pandemic.

(...)

The coalition agreement of the new government also stipulates that a decision must be made this year regarding Lelystad airport, which has been ready for use for years. VVD, D66, CDA and ChristenUnie acknowledge that aviation poses

"various challenges" in terms of nitrogen, particulate matter, noise pollution and the quality of the living environment. But the parties also want the Netherlands to remain attractive to large companies, especially because of Schiphol's strong position.

"At the same time, there are some preconditions for aviation. It's not the old story of just growth anymore," Benschop

says. **The environmental impact "both in terms of noise and other emissions" will have to be reduced.** (...) He stressed that the aviation sector also has an impact on the world with its CO2 emissions. "(...) For me, 2022 is the year of sustainability," said the Schiphol CEO.

In the previous coalition agreement, it was agreed that Lelystad would take over leisure flights from Schiphol, giving it more room to develop as a hub. (...) The opening of Lelystad had already been postponed to November this year due to the krona crisis and was further delayed by the slow progress of the training.

My comment: *Lelystad airport, if it opens, will have a maximum capacity of 25,000 takeoffs / landings per year.*

This is not much compared to the capacity of Schiphol airport, which has a ceiling of 500,000 movements per year, but the airlines based at Schiphol will need it to grow.

> **The other mega-contract in preparation at Air France-KLM**

(source Journal de l'Aviation) January 18 - Another major contract is in the works at Air France-KLM. **With the decision to order 100 Airbus A320neo Family aircraft** (plus purchase rights for another 60) a month ago, the **Franco-Dutch group will also have to decide between the two engines proposed for its future single-aisle aircraft**, a potential contract worth around \$3 billion (engines alone). The choice of engine will logically be announced fairly quickly, with the first aircraft to be delivered in the second half of next year. Of

course, **the long-standing ties between KLM, Transavia and CFM International** (and Air France, even though the French carrier is not directly involved at this stage) **seem to favor the arrival of the LEAP-1A engine** within the group, along with the significant financial benefits for Safran Aircraft Engines in France. The Air France-KLM holding company has benefited greatly from the support of the French government, particularly in preventing the bankruptcy of Air France during this historic crisis.

But the GTF from U.S. engine manufacturer Pratt & Whitney cannot be ruled out, especially since it has already made its appearance within the group with the introduction of the Embraer E195-E2 at KLM and the A220-300 at Air France last year. In addition, the PW1100G will undergo a major evolution in 2024 with the introduction of new improvements as standard, which will increase its maximum thrust and reduce its fuel consumption (GTF Advantage).

In addition, the choice of engine for the A320neo and A321neo for KLM, Transavia Netherlands and Transavia France will of course have repercussions for the nacelle manufacturers concerned, not to mention the entire engine maintenance architecture once the engines enter service.

(...)

My comment: *Price is not the only criterion for choosing an engine.*

The ability of AFI KLM E&M to maintain the engines selected, both those of the Group's fleet and those of its customer airlines, is essential.

Not only is the engine maintenance business profitable for the Air France-KLM group, but it also employs thousands of people at Air France and KLM.

> American and United see travelers return to the air in March, but costs weigh on them

(Source Stock Market Zone) Jan. 20 -- U.S. carriers **American Airlines and United Airlines said Thursday that a resumption of passenger traffic was likely in March** after a disruption caused by the Omicron variant of the coronavirus, but warned that the latest wave of the health crisis would keep their costs high this year.

Texas-based American said that while ticket sales have not yet returned to pre-Omicron levels, they are recovering "quickly" after falling "significantly" in early December.

Similarly, **Chicago-based United said bookings and cancellations have begun to return to normal levels.** The carrier said its bookings this week were down 25% from the same period in 2019, compared with a 48% drop in the first week of January.

(...)

Buoyed by the improved bookings, **United expects to turn a profit in the second, third and fourth quarters of this year.**

American also expects to return to profitability in March.

The company said domestic leisure and short-haul international traffic are approaching 2019 levels, but demand for long-haul international flights remains challenging.

(...)

***My comment:** After each wave of the epidemic, airlines make the same observation: their customers are eager to travel again.*

> Last minute: MSC and Lufthansa ready to buy ITA Airways

(source Les Echos) January 24 - **Lufthansa's interest in the new Italian airline ITA is now official.** But the German group is not alone in knocking on the cockpit door. The Italian government, which still owns 100 percent of Alitalia's successor, has received a letter of interest in acquiring a majority stake in ITA Airways co-signed by Lufthansa and the Swiss-Italian shipping and cruise company MSC. Revealed by the "Corriere della Sera", the information was confirmed in the evening by a statement from ITA Airways.

"The MSC group and the Lufthansa group have both expressed the wish that the Italian government should retain a minority stake in the company's capital," added the ITA Airways statement, pointing out that this initiative is already the result of "months of work".

The entry of the shipping group MSC, a global giant in cargo transport and

cruises, would allow the development of synergies, while giving an Italian color to the purchase of ITA Airways, launched last October 15 with large amounts of public funds, to take over from Alitalia. The details of the offer are not known, but according to the ITA press release, **the two partners now have an exclusivity period of 90 days to finalize their offer.**

The need for ITA Airways to quickly find financial and industrial partners is obvious. Despite a three-quarter reduction in staff compared to the defunct Alitalia, the **new Italian company has already accumulated several tens of millions of euros in losses since its launch on October 15.** With the exception of a flight to New York, its offer remains limited to Europe, in direct competition with low-cost airlines, which now dominate the Italian medium-haul market.

Last December, ITA Airways took a step towards the Skyteam alliance of Air France-KLM and Delta, Alitalia's two former partners, **with the signature of two code-share agreements** on a dozen ITA destinations in Italy and Southern Europe. However, this commercial partnership did not resolve the need for additional funds. **In accordance with commitments made to the European Commission, Air France-KLM cannot invest in a foreign airline until the group has repaid its state aid. In contrast, the Lufthansa group has this possibility, having already repaid the German state aid in full.**

Nevertheless, the prospect of seeing ITA come under the German flag is not a happy one for Air France-KLM. In addition to a long-standing common history, which saw Alitalia come very close to being integrated into the Air France-KLM group, Italy remains one of Europe's main markets and a valuable source of connecting customers at Paris-CDG for Air France's long-haul flights.

***My comment:** Bad news for the Air France-KLM group: MSC and Lufthansa have three months left to finalize their offer to buy ITA Airways.*

> Suspension for Air Austral but the countdown is on

(source Le Figaro with AFP) January 20 - **Air Austral (...)** announced Wednesday **that it has received a "rescue aid" of 20 million euros decided by the French state, and is preparing a "restructuring plan"** to face the consequences of the health crisis. Air Austral had already been repeatedly supported via state-guaranteed loans and a direct loan to help it overcome the Covid-19 pandemic, which caused it to lose three quarters of its customers in 2020-2021, against a backdrop of confinements and movement restrictions sometimes stricter than in mainland France. These loans already totaled 100 million euros, 20 of which were released in August 2021, before the last one announced Wednesday.

This new aid received the imprimatur of the European Commission on Tuesday, Air Austral said in a statement

(...) The

office of the Minister of Transport, Jean-Baptiste Djebbari, notes that **this aid should**

allow Air Austral to "respond to its immediate financial difficulties and develop a turnaround and transformation plan. "This plan, which will have to be adopted within a maximum of six months and for which the State will ensure that the effort is shared between all the stakeholders, will have to find a sustainable solution guaranteeing the future of the company and the sustainability of its jobs," according to the same source. Contacted by AFP, the Regional Council of Reunion Island said it was pleased with the release of this aid, adding "to remain lucid": the situation of Air Austral "will require from the State other efforts at least equal to those made in particular for Air France.

(...)

Air Austral, which employed 848 people at the end of 2021, is 99% **owned by** a semi-public company including the **Region (73.5%), the Caisse des Dépôts (13.6%) and the Department (11.4%)**. In addition to the State loans, Air Austral has borrowed 55 million euros from its shareholders. The company operates ten aircraft with which it serves destinations such as South Africa, Madagascar, Mayotte, Mauritius and the Seychelles, in addition to the mainland.

(...)

***My comment:** The Reunionese company was one of the few airlines that had not yet developed a restructuring plan since the beginning of the health crisis.*

This restructuring plan, imposed by the European Commission, should limit the impact of the crisis on employees.

> **Airbus cancels Qatar Airways' order for 50 A321neo**

(source Journal de l'Aviation) January 21 - **The torch is burning between Airbus and Qatar Airways. The aircraft manufacturer has confirmed to Reuters that it has cancelled Qatar Airways' order for some 50 Airbus A321neo family aircraft.**

(...)

The original order was signed in 2011 and was for A320neo aircraft, all of which were converted to A321neo in 2017. Then, in 2019, Qatar Airways announced the conversion of a dozen aircraft to A321LRs, with an extended range. At that time, deliveries were planned from 2020. But the crisis has changed the company's plans and forced it to renegotiate the delivery schedule. Deliveries were scheduled to begin in 2023, a very short time frame for such a contract.

Qatar Airways needs these aircraft. They should enable it to open new routes with a capacity better adapted to demand than its current fleet allows. It has no other solution since its order for Boeing 737 MAXs has also been cancelled (the aircraft were destined for the defunct Air Italy).

This decision comes at a time when Airbus and Qatar Airways are at odds in a dispute over the Qatari airline's A350s. **Qatar Airways has grounded part of its fleet** (21 of its 53 aircraft) and suspended all deliveries (it is still waiting for 23 A350-1000s) **due to paint problems and erosion of a lightning protection coating, which it describes**

as design defects. According to Airbus and EASA's observations, these defects are only "cosmetic" and pose no threat to the safety of the aircraft. Qatar Airways has decided to take the case to court and claim over \$600 million in compensation.

My comment: Qatar Airways is not the only airline to encounter these paint problems on some A350s.

But it is the only airline to have refused the repairs proposed (and paid for) by Airbus.

For more details about this paint problem, I invite you to read my comment in [my letter n°820](#).

> **ADP: 37.2% increase in traffic in 2021**

(source Cercle Finance) January 20 - **The ADP Group's total traffic is up +37.2% in 2021** (+43.4 million passengers compared to 2020), with 160.0 million passengers handled in the entire network of managed airports, **or 45.6% of the group's traffic level for 2019.**

For Paris Airport alone, traffic is up +26.8% in 2021 (+8.9 million passengers compared to 2020), with 41.9 million passengers handled, or 38.8% of Paris Airport's traffic in 2019.

Year-on-year, **traffic at Paris-Charles de Gaulle is up +17.7%** in 2021, with 26.2 million passengers handled, or **34.4% of 2019 traffic. Traffic at Paris-Orly is up 45.6%** in 2021, with 15.7 million passengers, i.e. **49.4% of 2019 traffic.**

My comment: If the 2021 traffic was higher than that of 2020, it is still far from that of 2019.

At Orly, traffic in 2021 is half that of 2019. At Paris-Charles de Gaulle, it is barely a third of the 2019 figure.

> **Safran and Engie invest in a German start-up specializing in low-carbon fuels**

(source AFP) January 20 - **Safran and Engie announced Thursday that they have invested in a German start-up, Ineratec, which specializes in the production of carbon-neutral synthetic fuels, to enable it to expand its production.**

The Karlsruhe-based start-up has raised "more than 20 million euros" in funding, according to Ineratec.

(...)

Ineratec produces synthetic fuels, also called electrofuels. **This involves using hydrogen, produced by electrolysis with renewable electricity, and CO2 from biomass or captured.**

These electrofuels (...) are currently produced in small quantities and are very expensive, up to ten times the price of fossil fuel for example.

With this investment, "Ineratec wants to finance a pilot plant project in Frankfurt capable of producing 3,500 tons of fuel per year, including synthetic aviation fuel that would supply the airport directly," say Engie and Safran in a joint statement. **The project is expected to reach 10 megawatts of power by 2023.**

For Safran, "Ineratec

's cutting-edge technologies will strengthen the technological knowledge needed to develop a suitable and certified fuel chain for aircraft," according to Eric Dalbiès, director of strategy, technology and innovation for the engine manufacturer and aircraft equipment supplier.

(...)

Engie (...) aims to deploy a green hydrogen production capacity of four gigawatts by 2030.

***My comment:** Producing fuel using CO2 from the atmosphere is possible.*

The difficulty will be to produce enough of it to replace fossil fuels.

Bonus Article

> Understanding the imbroglio surrounding the deployment of 5G around US airports

(source Digital Century) Jan. 20 - **AT&T and Verizon finally began deploying 5G in the United States on Jan. 19 after several postponements.** These were prompted by concerns from the Federal Aviation Administration (FAA) and airlines about the potential for 5G to interfere with critical devices on board aircraft near airports. Both operators agreed on January 18 not to activate antennas within 3.2km of runways.

The fears of aviation professionals concern the radio altimeters, used to determine the distance from the ground to the aircraft. A critical tool for the landing phases when visibility is reduced. To operate they use the frequency band from 4.2 GHz to 4.4 GHz, very close to that of 5G, between 3.7 GHz and 3.98 GHz, hence the questions about possible interference.

These doubts and their consequences have led to a conflict in the United States for several weeks between aviation professionals and telecommunications professionals. For the former, the risk of 5G is real, for the latter, including the Federal Communications Commission (FCC), it is minimal.

The FAA published in early January a list of nearly one hundred airports, among the most important in the country, where the risk of interference was considered serious. On January 5, the 5G rollout was delayed by 15 days, after having already been delayed by one month.

The delay was to allow the agency to identify the altimeters most likely to experience

interference to narrow the list of airports where 5G was deemed undesirable. There are a wide variety of these devices and testing them one by one is a tedious job.

An aircraft like the Boeing 787, cited as an example by the New York Times, **is particularly prone to possible malfunctions in its altimeter**. It is the altimeter that automatically manages the inverted thrusters used to slow a plane once it touches down. Other braking systems exist, but if the reverse thrusters don't activate, the aircraft will most likely not stop before the end of the runway.

On January 16 the FAA communicated the approval of two altimeter models, "This combination of aircraft and altimeter approval opens runways at as many as 48 of the 88 airports most directly affected by 5G C-band interference." These new approvals covered about 45% of the US commercial fleet.

Not enough for some airlines. Emirates announced that its planes would not serve nine U.S. cities. **Air India, Japan Airlines and All Nippon Airways announced that they were suspending Boeing 777 flights on the advice of the manufacturer. They reversed their decisions on Jan. 19, when the FAA approved the 777**, reports The Verge. Currently, 62% of the U.S. commercial fleet is able to land in reduced visibility. A decision facilitated by that of the operators the day before not to activate 5G antennas near the runways. Not without a certain amount of bad blood. AT&T and Verizon are extremely upset to have had to postpone the deployment of 5G. The purchase of the frequencies had cost them \$80 billion as of February 2021.

AT&T told The Wired, "We have voluntarily agreed to temporarily postpone turning on a limited number of towers around certain airport runways as we continue to work with the aviation industry and the FAA to provide more information on our 5G deployment, as they did not use the two years they had to responsibly plan for this deployment." Verizon issued a statement in the same vein, accusing the FAA and the airlines of having been unable "to resolve the issue of 5G around airports even though it has been deployed safely and effectively in more than forty other countries."

In France, however, it is on the basis of an American study by the Radio Technical Commission for Aeronautics that the problem was raised in December 2020. The Directorate General of Civil Aviation told Le Monde that "**protection zones have been set up around seventeen major French airports to limit the power of emission of 5G antennas in their immediate vicinity.**"

In fact, the FAA expressed its concerns to the Trump administration at the same time. The request to delay the auction of 5G spectrum was approved at the time. Interagency rivalries then led to the situation the U.S. finds itself in today, the New York Times reports.

(...)

The question of a final resolution to the issue remains unresolved. Updating industry standards will take time; **new altimeters are not expected until October. Installing them in the entire U.S. fleet will cost billions of dollars. A bill that no one seems ready to pay.**

Negotiations will be conducted between the airlines and the FAA on the one hand, and the operators and the FCC on the other. **The solution of a buffer zone without or with limited 5G of 3.2 km around the most sensitive runways could be perpetuated.**

***My comment:** After the first trials and tribulations, it appears that 5G can be deployed near airports with some adaptations.*

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 were at 3.878 euros at the close on Monday 24 January. It is down very sharply by -7.75%.

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



Evolution of the Air France-KLM share price over five years. The sharp drop corresponds to the beginning of the Covid-19 epidemic.

The average (consensus) analysts' rating for AF-KLM shares is 3.45 euros. The highest price target is 5.50 euros, the lowest 1.30 euros.

You can find the details of the analyst 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 this week by \$2 to \$85.

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

At \$86 on October 25, Brent had reached a level not seen since 2014, supported by supply disruptions and underlying demand. **It exceeded this record level last week, with the crisis in Kazakhstan explaining the rise.**



Evolution of the oil price over five years. The sharp drop corresponds to the beginning of the Covid-19 epidemic.

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.

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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 UNPNCChis press review deals with subjects related to the Air France-KLM shareholding.

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