

Marjan Rintel to become CEO of KLM



I Letter from the Director of Air France-KLM

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Representative of the employees and former employees shareholders PS and PNC

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Marjan Rintel, the future CEO of KLM

Monday's Press Review

> Air France-KLM gives KLM a female boss and renews Ben Smith

(source Les Echos) March 31 - **Benjamin Smith has several reasons to be satisfied this Thursday, March 31. The first is obviously his reappointment as head of Air France-KLM, for a new five-year term.** Even if this decision was not in doubt, the group's board of directors anticipated it by a few months, in order to offer as much visibility as possible to investors in the perspective of a new fund raising

The other reason for satisfaction, which was less obvious, is the choice of Marjan Rintel, the current CEO of Dutch Railways, to succeed Pieter Elbers at the helm of KLM, as of July 1. The 55-year-old Dutchwoman knows KLM well, having worked there for 15 years, until November 2014, before leaving for NS

(Nederlandse Spoorwegen), the Dutch equivalent of SNCF.

According to our information, Marjan Rintel's candidacy won out in the final stretch over Pieter Bootsma, the current head of revenue management at Air France-KLM, who could nevertheless boast much more experience at KLM. He also seemed to have the preference of the Dutch company's works council, where employee representatives sit. When the **appointment was announced, KLM union representatives expressed their dissatisfaction at not having been involved in the decision**, and some even mentioned the possibility of legal action.

However, Marjan Rintel had the double advantage of not only having the preference of Benjamin Smith and the Dutch government, and in particular of its finance minister, Sigrid Kaag, but also of not having been involved in the quarrels between the group's French staff and KLM's management, as well as in the various pitched battles between Ben Smith and Pieter Elbers. **"She is a copy of Anne Rigail,"** says a good connoisseur of the group, referring to the **mix of skills and diplomacy** of the Air France CEO. **Two qualities that will be necessary for the new KLM boss to calm the situation internally and continue cost reduction efforts.**

In addition to the announcement that Pieter Elbers will be leaving the company, **the Dutch company is facing hostility from part of the socialist and green government coalition, which wants to impose new restrictions**, such as tripling the tax on airline tickets, and a further 15% reduction in costs , **before any decision is taken on its participation in a recapitalization. These announcements by the board of directors, together with the visible easing of oil prices and the geostrategic risks linked to the war in Ukraine, should help clear the way for a new capital increase for Air France-KLM before the end of the year.** After having fallen, the group's share price has indeed returned to an upward trajectory in recent days. However, we will probably have to wait for the publication of the quarterly results, on May 5, to see more clearly on this issue.

My comment: *The arrival of Marjan Rintel at the head of KLM marks a turning point in the life of the Franco-Dutch group.*

In the space of four years, the most senior executives of the Air France-KLM group have been replaced.

Jean-Marc Janaillac, Pieter Elbers, Franck Ternier and Frédéric Gagey have been replaced by Anne-Marie Couderc, Ben Smith, Marjan Rintel, Anne Rigail and Steven Zaat.

Their task will be arduous: they will have to recapitalize the group and implement the strategic plan, the broad outlines of which were presented in the fall of 2019, a few weeks before the beginning of the health crisis ([read my letter 729](#)).

> Dutch Cabinet wants to raise flight tax to 24 euros per ticket

(source Rtlnieuws) March 29 - **The Cabinet wants to triple the flight tax that has been collected since last year.** Currently, travelers pay about 8 euros per ticket. This amount should increase to about 24 euros next year.

Thus, the firm wants to make flying "relatively less attractive". That's according to a **letter on the so-called recovery and resilience plan that Minister Sigrid Kaag (Finance) sent to the Lower House today. The proceeds of the flight tax, currently about 200 million euros per year, should increase to 600 million euros in 2023.**

The tax applies only to departing passengers. Transfer passengers in the Netherlands will not have to pay the tax.

(...)

The firm assumes that the consequences "in the short term are relatively limited". Some people will refrain from travelling, others will choose another means of transport or travel to foreign airports. But some will continue to fly, the firm assumes.

***My comment:** The new Dutch government, in place since the beginning of the year, is increasing the pressure on airlines.*

By introducing an identical tax whatever the duration of the flights, it clearly shows its priority: to encourage travelers to prefer the train to the plane for short trips.

For their part, the airlines are insisting that the proceeds of the environmental taxes be allocated to the search for alternatives to kerosene. They are finding it difficult to make themselves heard.

> Air France-KLM chooses CFM (Safran/GE) to power its A320neo

(source AFP) April 4 - Air France-KLM announced Monday that it has chosen engines from CFM International - a joint venture between France's Safran and U.S. GE - to power its future Airbus A320neo family of aircraft, and that it has entered into exclusive negotiations with the engine manufacturer.

"The group's board of directors has chosen to enter into exclusive negotiations with CFM International for the purchase of LEAP-1A engines to power its future fleet of Airbus A320neo and A321neo aircraft," the Franco-Dutch company said in a statement, without giving an amount. To power these aircraft, airlines can choose between the CFM engine and another proposed by Pratt & Whitney, a subsidiary of U.S. Raytheon Technologies. **"This decision follows the order announced last December for 100 Airbus A320neo Family aircraft** - with purchase rights for an additional 60 aircraft - to renew the KLM and Transavia Netherlands fleets, and to renew and grow the Transavia France fleet," said Air France-KLM. CFM already supplies engines for its Boeing 737 NG and Airbus

A320ceo fleets.

Last year, Air France also received its first Airbus A220s, powered exclusively by Pratt & Whitney.

My comment: *The choice of CFM engines is good news for AFI KLM E&M's maintenance business.*

Unlike its rival Pratt & Whitney, Franco-American engine manufacturer CFM accepts that airlines are autonomous in maintaining their own and third-party engines.

> **Air France-KLM loses an appeal against a heavy European fine on air freight**

(Reuters source) March 30 - **Air France-KLM and its subsidiaries Air France and KLM lost their appeals on Wednesday against fines of tens of millions of euros** imposed on them five years ago by the European Union's competition authority for a cartel in the air cargo market.

After being dismissed on Wednesday by the General Court of the European Union - one of the two jurisdictions of the Court of Justice of the European Union (CJEU) - **the airline group** said in a statement sent to Reuters, that it "**will analyze without delay this ruling with a view to an appeal to the Court of Justice**", the other jurisdiction of the CJEU

Air France-KLM recalls that the amount of the fines imposed on it had been provisioned "up to 350.6 million euros, including interest, in the accounts at December 31, 2021.

The European Commission had fined Air France 182.9 million euros, the highest fine, and KLM 127.1 million euros.

The total fine for the cartel of 12 airlines amounted to 776 million euros

The penalty was first imposed in 2010 for a price cartel in the field of cargo between 1999 and 2006. It was annulled in 2015 for procedural irregularities but reinstated two years later by the European Commission.

The European Union's Court of Justice on Wednesday upheld the fines imposed on Air France-KLM, Air France, KLM, Martinair Holland, Cargolux, Lufthansa and Singapore Airlines.

The Court reduced the fines imposed by the Commission on Japan Airlines, Air Canada, British Airways, Cathay Pacific Airways, Latam Airlines Group and its subsidiary Lan Cargo.

The penalties have been modified for SAS but the total fine remains unchanged.

Lufthansa and its subsidiary Swiss International Airlines are spared. They had alerted the antitrust authorities.

My comment: By taking the initiative in 2006 to denounce the cartels on freight prices, the Lufthansa group escaped a fine estimated at several hundred million euros.

> China: the aviation industry has further widened its losses in 2021

(source AFP) March 31 - **The three main Chinese airlines have recorded last year more than 5 billion euros of losses**, penalized on their huge domestic market by epidemic resurgence and restrictions on travel abroad.

The first country affected by Covid-19, China has practically closed its borders since March 2020, which has drastically reduced air links with international destinations.

(...)

In this context, **Air China has seen its losses in 2021 widen by more than 15% over a year to 16.6 billion yuan (2.3 billion euros)**, announced Wednesday the national flag carrier.

(...)

For its part, **China Southern Airlines recorded 12.1 billion yuan (1.7 billion euros) in losses** last year, up 11.6% year-on-year.

(...) **China Eastern Airlines reported losses of 12.21 billion yuan (1.7 billion euros)** last year, up 3.1% year-on-year.

(...)

My comment: The "zero Covid" strategy is unavoidable in China. The health system is not ready for a Western-style policy of "coexistence" with the virus. The number of nurses per 1,000 people in China, for example, is seven times lower than in the US.

The relatively good performance of the Chinese domestic market does not allow Chinese airlines to compensate for the near closure of international routes. Their accounts remain in the red.

> Ryanair forecasts 350 to 400 million euros loss for its 2022 fiscal year

(source Boursorama) April 4 - **Ryanair** has tightened its loss forecast for its 2022 fiscal year and **now expects a range of 350 to 400 million euros, against a loss previously expected between 250 and 450 million euros**, the group announced Monday in a statement.

The Irish low-cost airline added that it carried some 97 million passengers during this fiscal year ended March 31, compared to 27.5 million for the previous fiscal year, at the height of the Covid-19 pandemic, but still far below the 149 million passengers recorded before the pandemic

Ryanair says it has largely reduced its debt during its last fiscal year, to 1.5

billion euros from 2.3 billion previously. In the midst of soaring oil and fuel prices, it says it has covered 80% of its jet fuel purchases for the fiscal year just beginning.

(...)

Ryanair had suffered the worst fiscal year in its history in 2020-2021, with a loss of about one billion euros, and announced the loss of some 3,000 jobs.

(...)

The group will publish its annual results on May 16.

My comment: Ryanair's fuel hedging strategy differs from most airlines.

At the beginning of the year, the low-cost carrier hedges most of its fuel consumption for the coming year.

If Ryanair managed to finalize its hedging contracts before the war in Ukraine broke out, it will have a clear competitive advantage.

> **The great return of the pilot shortage problem**

(source Journal de l'Aviation) March 29 - For two years now, the airline industry's main preoccupation has been to reduce costs, find financing and survive in an environment profoundly affected by the health crisis.

(...)

Today, 76% of the world's fleet is active again, according to a recent study by Oliver Wyman. And with it, airline crews are back in service. But the health crisis and its layoffs have left their mark, **bringing back an old problem: the pilot shortage**. Of course, it differs from region to region. According to Oliver Wyman, Africa, South America and **Europe are expected to have a moderate need, which training facilities will be able to meet.**

(...)

After a two-year hiatus, **the shortage is back in the United States**. With a very strong domestic market and substantial government support, **companies** were able to quickly restore their capacity to a high level. On the other hand, while they have been able to use partial work and unpaid leave to maintain their pilot workforce, they **have also experienced layoffs and numerous early retirements, which are expected to continue as the cabin crew population ages.**

At the same time, training programs have lost students. **The profession had already lost its glamour before the crisis; the collapse of the myth of secure employment and the obstacles posed by the cost, length and complexity of training may further dry up the pool of aspiring airline pilots.** Recognizing this, United Airlines has opened its own school with the goal of diversifying the student profile and broadening its base. It hopes to fill its need for 10,000 pilots by 2030, but is aware that "it will be difficult", in the words of its CEO Scott Kirby. Breeze Airways

has gone so far as to recruit pilots in Australia.

According to Oliver Wyman, there will be a shortage of 12,000 pilots in the U.S. next year and 34,000 worldwide.

For the shortage regions, the U.S. in the immediate term, and the Middle East and Asia Pacific thereafter, **the issue of training capacity will be critical. But airlines will have to address another issue: how to improve the image of the profession in order to fill the cockpits?**

***My comment:** During the health crisis, the Air France-KLM group limited pilot departures to the strict minimum. It should be spared from the announced pilot shortage.*

> **Air New Zealand to launch \$1.5 billion recapitalization as borders reopen**

(Reuters source) March 30 - **Air New Zealand Ltd said on Wednesday it would raise NZ\$2.2 billion (\$1.53 billion)** to shore up its pandemic-affected balance sheet and repay a NZ\$2 billion cash package from the government as New Zealand's international border reopens

The fundraising will be done through a deep discounted rights issue and redeemable shares to raise NZ\$1.8 billion, of which NZ\$850 million will be used to repay outstanding debt to the New Zealand government, which owns 51.9% of the airline

The remaining NZ\$950 million will be used to strengthen the balance sheet and facilitate recovery from the devastation caused by COVID-19, the carrier said. It has also taken on NZ\$400 million in new debt from the government for additional liquidity. "Now is the time to position our airline for recovery," President Therese Walsh told reporters. (...)

***My comment:** The format of the recapitalization of Air New Zealand is similar to the one implemented by the European airlines. It combines a bond issue and a capital increase.*

End of the press review

> **Advice for employees and former employees who are shareholders**

You will find on my [navigation](#) site the modalities of access to the managers' sites.

To avoid forgetting to change your contact information each time you change your postal address, **I advise you to enter a personal e-mail address**. It will be used for all correspondence with the management organizations.

Keep all the documents related to your Air France-KLM shares in one place: all the letters you receive from the different managers, Natixis, Société Générale, your personal financial institution if you bought your shares through it.

> [My comments on the Air France-KLM share price trend](#)

Air France-KLM shares closed at **4.107 euros** on Monday 4 April. **It is up this week by +1.58%**.

After falling to €3.295 in early March, it has rebounded by +24% in four weeks.

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



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

The analysts' average (consensus) for AF-KLM shares is 3.31 euros. The highest price target is 5.50 euros, the lowest 1.30 euros.

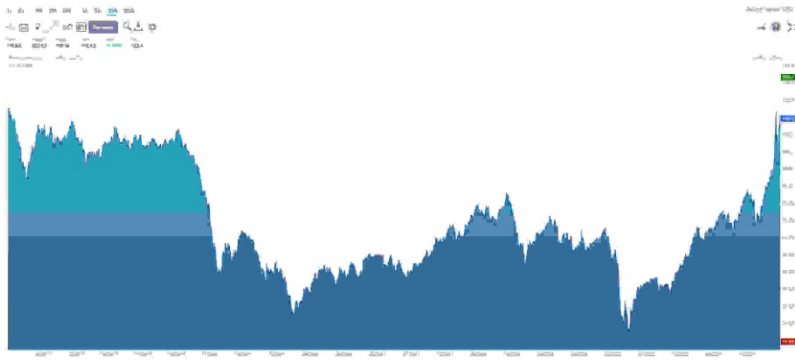
You can find the details of the analyst consensus on my blog. I do not take into account the opinions of analysts prior to the beginning of the health crisis.

Brent crude oil (North Sea) is down sharply this week from -\$14 to \$106.

The crisis in Ukraine is behind the rise in oil prices, which is also affecting copper and gold.

At the beginning of March, Brent crude reached \$132, close to its record of \$150 (in 2008).

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



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

This 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 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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