

Slot reduction at Schiphol: no certainty



I Letter from the Director of Air France-KLM

François Robardet

Representative of the employees and former employees shareholders PS and PNC

N°881, October 10, 2022

If you do not see this page correctly, or if you want to read the English or Dutch versions

If you do not see this page correctly, or if you want to read the English or Dutch versions,

Als u deze pagina niet goed ziet, of als u de Engelse of Nederlandse versie wilt lezen,

[follow this link](#)  [, it is here.](#)  [vindt u deze hier](#) 

Monday's Press Review

Editorial

Dear readers,

This week's news is overshadowed by the beginning of the appeal trial for the crash of flight AF447 Rio Paris on June 1, 2009.

It will be held from October 10 to December 8, 2022.

Like all of you, I still remember the passengers and staff who died in the accident.

During the nine weeks of hearings, the court will examine the possible criminal responsibilities of Air France and Airbus.

In 2019, the investigating judges dismissed the case, considering that Air France had not committed any criminal fault and that "this accident was clearly explained by a combination of elements that had never occurred, and which therefore highlighted dangers that had not been perceived before this accident".

However, the Public Prosecutor's Office and the civil parties have appealed this decision and the investigating chamber has ordered that Air France and Airbus be referred to the criminal court.

You will understand that, in view of my position, I will refrain from any comment during the trial.

François

> Reduction of flight movements at Schiphol: no certainty yet

(Dutch press source, translated with DeepL) October 4 - Citing an internal webcast, Dutch aviation site Luchtvaartnieuws writes that KLM CEO Marjan Rintel explained that **the Dutch government's plan to reduce annual flight movements at Schiphol to 440,000 by the end of 2023 is not yet final.**

(...)

"I am still of the opinion that we have to see what the outcome will be, instead of assuming that it will happen, because that would be very bad for KLM. I have also explained this to the Minister of Infrastructure, Mr. Harbers, and others in The Hague.

Marjan Rintel adds that the government's reduction plans could be counterproductive for local residents, instead of improving the situation for them.

According to Marjan Rintel (...) "What we know is that **with this new fleet, which we will have until 2030, we reduce noise by 50% and emissions by 25%. We will achieve much more with this than with the introduction of the "440,000".**

My comment: *The activity reductions that the Dutch government plans to impose at Schiphol are aimed at reducing the nuisance for local residents.*

KLM proposes to the government to clearly state its objectives for noise reduction and CO2 and NOx emissions.

KLM would then submit the measures it intends to implement.

It would then be up to the government to assess whether the measures proposed by KLM would meet the targets.

However, before imposing any cuts on airlines, the Dutch government will have to verify their legality.

European rules require that such measures be justified and that their application be limited in time. These two conditions have not yet been met.

> Air: States make a global commitment to "net zero CO2" by 2050

(source Les Echos) October 8 - **Making air transport the first carbon-neutral mode of transport by 2050 is now a global commitment by States and no longer just by the main players in the sector.** After months of behind-the-scenes negotiations, **the 193 member states of the International Civil Aviation Organization (ICAO) adopted the "net zero CO2" objective for 2050 on Friday, October 7**, during the closing day of their General Assembly in Montreal.

This vote was for many, the main issue of this 41st ICAO General Assembly. All the organizations of the air transport industry - airlines, airports, aeronautical industries, air traffic controllers - were pushing for a commitment from the UN organization, after having already committed themselves to achieve carbon neutrality in 2050.

(...)

This vote was not a foregone conclusion. The evening before, a first vote in a restricted committee, within the ICAO executive council, had once again highlighted the opposition of Russia, now excluded from the governance council, as well as that of China, which opted for the date of 2060. A number of states also felt that this target could be a brake on the development of their economies.

All air transport and aviation organizations therefore welcomed, with relief, this ICAO decision on Friday evening, which should theoretically result in increased support from States for the decarbonization of air transport. **The costs of decarbonization of aviation are in the trillions of dollars and the transition to a global industry is long,** said Willie Walsh, Director General of the International Airline Association (IATA), in a statement. **"Governments must work with the industry to implement an effective global policy framework capable of attracting the necessary financial resources [...]** There is a lot of work to be done and not a minute to lose.

In addition to this commitment, additional decisions have been taken **concerning the Corsia system for offsetting CO2 emissions from air transport**, the principle of which was already agreed three years ago at the previous ICAO General Assembly. **States decided that the baseline would be set at 85% of global CO2 emissions. Beyond this 85%, airlines will have to compensate financially for their CO2 emissions or try to reduce them below this threshold.**

Several environmental organizations have expressed their dissatisfaction, judging the measures announced insufficient, particularly concerning the threshold for offsets, but also the objective of neutrality in 2050. **The ICAO vote remains a non-binding decision for States.** But above all, carbon neutrality will not consist in totally eliminating CO2 emissions from air transport, but in ensuring that air transport no longer adds CO2 to the atmosphere.

This will require a drastic reduction in emissions, notably through fleet renewal and the launch of new generation aircraft, but also and above all through the

replacement of kerosene by sustainable fuels - biofuels and synthetic fuels - of non-fossil origin, the manufacture of which requires the capture of CO₂ from the atmosphere.

Replacing petroleum-based kerosene with biofuels produced from plant waste could reduce the net CO₂ footprint of a flight by 80%. Combined with the use of ever more fuel-efficient aircraft, this would make it possible to achieve carbon neutrality, while awaiting the possibility of truly "zero emission" aircraft, using hydrogen or hybrid electricity.

My comment: *The commitment of the ICAO through a vote is a necessary but not sufficient step.*

It remains for the States to adopt binding and harmonized measures so as not to distort competition.

An example of the difficulty: in the United States, the biomass used to make biofuel comes from local agriculture. This biofuel is highly subsidized, and its cost for airlines is close to that of kerosene.

This is not the case in France. While biofuel for cars (ethanol) comes from French agricultural production, there are no plans to do the same for biofuel for aircraft.

In addition, French airlines are asking for financial support to limit the cost of biofuel, which is currently three to four times higher than kerosene.

> **easyJet revises its CO₂ reduction strategy**

(source Journal de l'Aviation) October 4 - **easyJet** has always been vocal about its initiatives to reduce its carbon footprint. This time, the British low-cost carrier **has presented a revised strategy and a more ambitious roadmap corresponding to the criteria of the SBTi initiative to reach net zero by 2050, with an intermediate objective of reducing its emissions by 35% by 2035** (compared to 2019). While many of the company's investments are not in question, **it is doing an about-face on its near-term strategy by announcing the termination of its offset program** in order to redirect the freed-up funds to direct emissions reduction initiatives.

(...)

Offsetting is not reducing and the company considered this measure as an interim one, to be replaced as soon as possible by technological solutions that would directly reduce the rate of CO₂ released during its operations.

It found some of these solutions at Airbus. The aircraft manufacturer offers two tools, the Descent Profile Optimization (DPO) and the Continuous Descent Approach (CDA), which allow the aircraft to descend from cruising

altitude using idle engine speed, thus reducing CO2, NOx and noise emissions. They also keep the aircraft at maximum cruising altitude to initiate the approach at the right time and eliminate the time-consuming low-level descent. The entire easyJet fleet will be equipped with the DPO solution by the end of 2023, as well as the CDA for compatible aircraft. This represents an investment of several million pounds, according to the company. Airbus calculates that easyJet could save 98 tons of fuel per aircraft per year, or avoid 88,600 tons of CO2 emissions per year for the entire fleet.

However, this is only a small part of the program validated by the Science Based Targets

initiative (SBTi - a partnership between the Carbon Disclosure Project, the UN Global Compact, the World Resources Institute and WWF) which should enable the company to reduce its emissions by 35% by 2035. **The bulk of the target (nearly 50%) will be achieved through fleet renewal and the use of sustainable aviation fuel (30%).** Renewal is underway and easyJet expects the delivery of 168 Airbus A320neo Family aircraft (part of a \$21 billion investment). **As for SAF, it reveals that it has acquired the volumes necessary to meet its objectives for the next five years from Q8 Aviation.**

On the other hand, some initiatives are a little out of its control: **easyJet is also counting on the modernization of the airspace**, which is lagging behind, and stresses that it will not be able to achieve its objectives without government support. The low-cost airline is not asking for direct aid, but for support for the industry, whether financial or regulatory, for research into zero-emission aircraft and the necessary infrastructure (in terms of production, storage and delivery, for example of hydrogen).

In the longer term, easyJet is putting all its hopes in zero emission aircraft, which would enable it to achieve a 78% reduction in its emissions per passenger and per kilometer in 2050 compared to 2019 - **the residual emissions being offset by carbon capture programs.** It is betting heavily on hydrogen and has concluded several partnerships in this direction in recent years, the latest with Rolls-Royce, which last week presented a hydrogen-powered engine whose first ground tests are imminent.

The low-cost airline considers that renewing its fleet with zero-emission aircraft should contribute nearly 50% of its 2050 objectives, while "traditional" fleet renewal will only account for about 20%, with the use of SAF remaining a major contributor at about 30%.

My comment: *The evolution of easyJet's strategy is common to most European airlines.*

Offsets are no longer considered as greenwashing.

Airlines are now focusing on fleet renewal and the use of sustainable fuel to achieve their objectives.

They know that this will not be enough in the long term and hope that future innovations (such as CO2 capture, mixed kerosene/electric propulsion, hydrogen, etc.) will allow them to avoid the decline of their activity.

> **Airbus enviously sees the aviation services market growing**

(source: Les Echos) October 6 - **More resilient to the crisis than new aircraft sales, the aviation services market will also be the first to emerge from it. According to Airbus' latest forecasts**, this market, which includes aircraft maintenance, training for flight crews and mechanics, cabin refurbishment and the conversion of passenger aircraft into cargo, has already almost returned to its pre-crisis revenue level, with \$95 billion generated in 2022. And according to the group's **20-year** forecast, **its growth will be stronger than that of aircraft sales.**

Airbus, whose services business accounts for about €3.3 billion in annual revenues for the commercial aviation branch, **expects** the global market to return to its 2019 level - or \$105 billion - as early as next year. But above all, it expects a growth rate of 3.7% per year over the next 20 years, with **global revenues expected to more than double to \$232 billion in 2041, including \$189 billion for maintenance.**

(...)

The winds of change are indeed adding up. The first is the growth of the **world fleet**, which is **expected to increase by 3.3% per year over the next 20 years, from 23,500 aircraft** with more than 100 seats in service today **to 46,900 in 2041.**

The increase in the fleet is expected to translate into a 3.3 percent increase in global aircraft maintenance revenue alone, from \$78 billion in 2022 to \$189 billion in 2041.

The second factor is the concomitant growth in the air transport workforce, with an estimated 640,000 additional technicians, 585,000 pilots and 875,000 cabin crew to be trained over 20 years. **Airbus, which recently entered the flight school market, estimates that the market for training air transport personnel will grow by 4.6%, from 9 to 17 billion dollars.**

In addition to these two major activities, the regular renovation of aircraft cabins has accelerated with the upgrading of equipment and the development of in-flight wifi. Its revenues are expected to rise from \$8 billion in 2022 to \$26 billion in 2041.

There is also the recycling of older generation aircraft - those built before 2008 - which still represent 80% of the world fleet and whose retirement is accelerating

with environmental pressures. They are expected to represent one-third of the fleet by 2031, and less than 5% by 2041. For Airbus, which has a dedicated subsidiary (Tarmac Aerosave), this activity will represent about 1,100 aircraft per year to be dismantled and recycled by 2041.

This should further improve Airbus' results, since maintenance and training activities generally offer better margins than aircraft sales. They are also a good way for the aircraft manufacturer to win an order, by selling a global service offer and not just an aircraft.

But Airbus is not alone in wanting the largest possible slice of the pie. Its rival Boeing has the same ambition and has even set up a division specifically dedicated to services, for both the civil and military sectors, in 2018.

Airbus and Boeing also have to contend with the maintenance subsidiaries of some airlines, such as Lufthansa Technik and Air France-KLM engineering and maintenance, which manage not only their own fleets but also those of many other airlines. And **in the engine business, airframers are taking second place to engine manufacturers,** whose business model is based on margins from aftermarket sales, rather than from the sale of new engines ("original equipment").

These traditional players have been joined by high-tech companies specializing in flight data processing and predictive maintenance, which no one can do without. For example, to develop its "Skywise" real-time aircraft processing offer, Airbus has not hesitated to partner with the American company Palantir, one of the world's leading data processing companies, while Boeing has forged partnerships in the same field with the French company Thales.

My comment: *The panorama of the aeronautics industry drawn up by Airbus is attractive.*

The only drawback is that it does not take into account the ecological risk. What will happen if the decarbonization objectives set for the aviation industry are not met?

Today, solutions exist: new generations of engines, the Single European Sky, the use of green fuel, CO2 capture, etc. should make it possible to achieve zero emissions from aircraft by 2050.

There is one condition, which applies to most sectors of the economy: that green energy is available in sufficient quantities.

This is the challenge for the next few years.

In France, in order to assess the needs for each sector that is a major emitter of greenhouse gases, a roadmap is being drawn up under Article 301. For more details, read the article on ADEME in [my previous newsletter n°880](#).

> **Certification of 737 MAX 7 and 10: a pilot union against the exemption**

(source Air Journal) October 7 - (...) **The probability of a new law allowing the aircraft manufacturer to be exempted from the December 31, 2022 deadline for certifying the 77-7 and 737-10**, after which Boeing would be forced to install the EICAS warning system (and thus start the cockpit design from scratch) **is increasingly high**. But the **Allied Pilot Alliance (APA, representing some 15,000 pilots at the American company**, which operates nearly 345 737s, including 43 MAX 8s) **is not happy about this**: its president, Edward Sicher, said in a statement on October 5, 2022 that Boeing "must proceed with the installation of modern crew alert systems on these aircraft, to reduce the surprise and confusion of pilots in the event of complex system malfunctions. Nothing could according to him "be more distant from the reality of the cockpit" than the position of the manufacturer on the possibility of "confusion" when the pilots pass from a plane equipped that a system of a plane "equipped with a modern system of alert" to one which is not.

(...)

Neither the FAA nor **Boeing** commented this announcement, the regulator having moreover announced for "not before next summer" the possible certification of the biggest of the single-aisle planes of the aircraft manufacturer. The latter **has already explained that a common cockpit for all MAXs was preferable for reasons of flight safety**, reducing the possibility of confusion when switching from one version to another (the 737-8, 737-8200 and 737-9 have been certified without EICAS).

The union's opinion is unlikely to have much weight in the debate with Congress, given the commercial impact that Boeing would suffer if the law passed in 2020, after the two 737 MAX 8 accidents that killed 346 people at Lion Air and Ethiopian Airlines (and led to the grounding of all MAX aircraft for 20 months), **were respected as it stands**.

Let's remember that last July, CEO Dave Calhoun had threatened to cancel the MAX 10 program: "If you go through the things we've gone through, the debts we've had to accumulate, our ability to respond or our willingness to see things through to completion, even a world without the MAX 10 is not that threatening," he said then. The 737-10 "is kind of all or nothing. It's a risk I'm willing to take. If I lose the fight, I lose the fight. A threat now forgotten.

My comment: As I indicated in [my letter n°868](#), Boeing is pushing hard not to have to install the EICAS warning system in its B737 MAX 10.

Boeing puts forward the commonality aspect. If the EICAS was installed on the B737 MAX 10 (and not on the 737 MAX 8 and 9, already in service), the MAX family would not be homogeneous.

For American Airlines pilots, the risk of not having this new system is unacceptable.

The real reason is elsewhere: the cockpit of the B737 Max is small and there is no more room to insert new equipment unless the cockpit is completely revised. The cost would be prohibitive.

It is up to Congress to decide. Will it consider that the risk, unacceptable in 2019, will be economically acceptable in 2023?

> **European Parliament aims to restore normal rules on the use of airport slots**

(source Journal de l'Aviation) October 7 - Considering Eurocontrol's forecast of air traffic between 83% and 95% of its pre-crisis level in October, **the European Parliament is proposing a gradual return to traditional regulations regarding the use of airport slots.**

It suggests a return to a rate of 75% of these slots so that an airline can keep them from one season to the next from 30 October, then 80% from the start of the summer 2023 season.

As the European Commission also mentioned in July, the Parliament believes that it should be possible to waive this rule in exceptional cases, such as epidemiological emergencies, natural disasters or strong political instability.

The new rules also seek to regulate the restoration of air connectivity between the EU and Ukraine when the time comes - for example, by introducing a period of justified non-use of slots for 16 weeks after the reopening of Ukrainian airspace.

The European Council must now approve these rules - but it had already been consulted before the Parliament's vote.

My comment: *In view of the air traffic forecasts, airlines may be concerned about meeting the 80:20 slot ratio that the European Commission wants to reintroduce to retain grandfather rights at slot airports for this winter.*

The European Commission seems to allow exceptions, as it talks about "justified non-use of slots". However, the exact definition is unclear, which is a concern for airlines.

Here is the position of the main stakeholders:

- Airports are advocating for a return to the standard rules as soon as possible as they are looking for additional traffic brought in by new incumbents like Wizz Air ;

- The new incumbents ask for the possibility to transform their "ad hoc operating authorizations" into grandfather rights;

- The incumbents want to keep the possibility to rebuild their network when the post-Covid takeover is here, in order to keep their precedence even if some slots are used by other competitors for some time;

- Non-European carriers are asking for reciprocity: European airlines will only receive slots outside Europe if non-European airlines are able to retain European slots.

Stock market press review

> European airlines fall as oil prices rise

(source Zonebourse) October 3 - **The airline sector is suffering on Monday in the stock market, penalized by the rebound in oil prices and by fears of economic slowdown.**

At around 12:15 pm, Air France-KLM was down 7.3% in Paris. Lufthansa dropped 3.9% in Frankfurt. IAG and easyJet were down 2.2% and 4.2%, respectively, in London.

In a sector note published Monday morning, **HSBC said it expected "very good results" for the sector in the third quarter but lowered its forecast for 2023.**

"Consumer and business confidence is falling very rapidly," the bank said, noting, however, that the recovery in traffic to Asia and business travel could support demand.

"We think that passenger demand will decrease but not dramatically", on the other hand **"freight demand should weaken rapidly this winter"**, says the financial intermediary.

Lufthansa and Air France-KLM, which have developed their "cargo" activities during the health crisis and are the two leading European companies in this sector, should suffer.

HSBC also mentions the increase in the cost of kerosene and concerns about energy security on the Old Continent for this winter.

The bank **has lowered its recommendation on Air France-KLM from "buy" to "hold" and its target price from 1.60 to 1.35 euros.**

Lufthansa has been downgraded from "hold" to "reduce", with a target price of 4.75 euros instead of 6.75 euros.

On the other hand, HSBC has raised its advice on the British IAG from "keep" to "buy" because of its weak presence in freight and its exposure to the North American market.

My comment: Last Monday (October 3), the stock prices of the main airlines fell sharply following the announcements of the oil exporting countries gathered within OPEC+.

The drop was short-lived, as prices returned to their level of the previous week the very next day.

Note: OPEC currently includes 13 countries: Algeria, Angola, Congo, Gabon, Equatorial Guinea, Libya, Nigeria, Venezuela, Saudi Arabia, United Arab Emirates, Iran, Iraq and Kuwait.

In 2016, OPEC members joined forces with ten other producing countries - Russia, Mexico, Kazakhstan, Azerbaijan, Bahrain, Brunei, Malaysia, Oman, Sudan and South Sudan.

This alliance is known as "OPEC+".

End of the press review

> My comments on the Air France-KLM share price trend

Air France-KLM shares closed at 1.296 euros on Monday 10 October. It is down slightly this week by -0.31%. After falling at the beginning of the week, following OPEC+'s announcement of an oil production cut, the share price has returned to its level of the previous weekend.

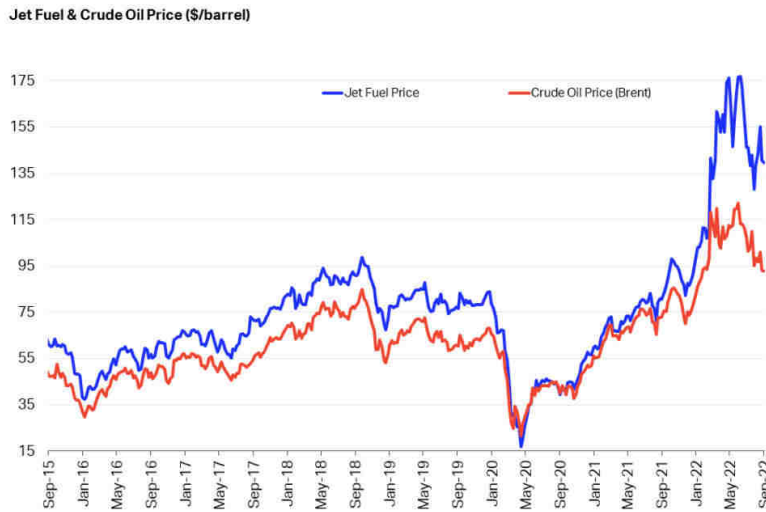
The analysts' average (consensus) for AF-KLM shares is 1.47 euros. The highest price target is 1.90 euros, the lowest 0.85 euros. I only take into account analysts' opinions after the May 2022 capital increase.

You can find the details of the analysts' consensus on my blog.

> My comment on the evolution of fuel prices

Since the start of the war in Ukraine, there is no longer any correlation

between the price of a barrel of Brent oil and a barrel of Jet Fuel. This is very clear on the graph below, which covers the period June 2015 - August 2022.



Source: S&P Global, Refinitiv Eikon

According to specialists, this increase was due to an increase in the fuel reserves of the armed forces, which consist solely of Jet Fuel.

Indeed, for the past few years, to ensure the strength of the infrastructure, the French Army has favored a single fuel policy aimed at powering all equipment, land vehicles and generators with jet fuel for air use.

Jet fuel price per barrel by region (source IATA) as of October 7, 2022

Fuel Price Analysis

The jet fuel price ended last week up 19.8% at \$155.8/bbl:

7 October 2022	Share in World Index	cts/gal	\$/bbl	\$/mt	Index Value 2000 = 100	vs. 1 week ago	vs. 1 month ago	vs. 1 yr ago
Jet Fuel Price	100%	370.89	155.77	1230.14	425.83	19.8%	11.7%	64.7%
Asia & Oceania	22%	311.35	130.77	1033.05	373.63	14.9%	0.9%	40.9%
Europe & CIS	28%	358.54	150.59	1188.13	405.73	22.9%	5.8%	59.2%
Middle East & Africa	7%	325.10	136.54	1078.09	407.75	18.9%	4.0%	47.9%
North America	39%	420.12	176.45	1393.96	469.09	20.1%	22.6%	84.4%
Latin & Central America	4%	388.10	163.00	1287.73	451.54	20.1%	12.2%	68.4%

The gap between the price of oil and jet fuel has never been wider:

The barrel of Jet Fuel in Europe is up sharply this week by +\$29 to \$151. After peaking at \$182 in June 2022, it was down to \$132 in early August. It was at \$79 a little over a year ago.

Brent crude oil (North Sea) is up sharply this week by \$9 to \$97.

Since mid-February, it had been yo-yoing between \$100 and \$120.

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

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

Fears that the economy will be in recession by the end of 2022 have driven fuel prices down.

Good to know

> 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.

> Management of employee investment funds

When you invest money in one of the Air France FCPE funds, you get shares in these funds. You do not hold shares directly.

It is the supervisory boards, which you elected in July 2021 for a five-year term, that manage the funds and make the decisions.

The Aeroactions, Majoractions and Concorde funds only hold Air France shares.

The Horizon Épargne Actions (HEA), Horizon Épargne Mixte (HEM) and Horizon Épargne Taux (HET) funds manage portfolios of various stocks.

My comment: *If you would like more information on the management of the various Air France FCPEs, please consult [my website navigaction, section Air](#)*

[France-KLM employee shareholding.](#)

Details

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.

To find the last press reviews of Monday, it is [here](#)

If you like this press review, please pass it on.

New readers will be able to receive it by [giving me](#) the email address of their choice.

| 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

Alternate Nicolas Foretz, PNC



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.

If you no longer wish to receive this press review, [unsubscribe](#)

. If you prefer to receive the press review at another address, please let me know.

To contact me: [message for François Robardet](#).

11313 people receive this live press review