

Special tax file

I Letter from the former Director of Air France-KLM

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(Raison d'être of the Air France-KLM group)



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former representative of PS and PNC employee and former employee shareholders

N°929, September 11, 2023

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Editorial

Dear readers,

Two weeks ago, the French Minister for Transport, Clément Beaune, repeated that taxing the means of transport that emit the most CO2 would encourage a shift towards rail transport in particular, and allow greater investment in the ecological transition.

Since then, there have been many reactions.

Given the importance of the subject, I've included a special report on eco-taxes in Europe at the end of this newsletter.

Please take your time to read it.

François

Monday's Press Review

> **The African potential on which Air France, British Airways and Emirates are banking**

(source Contrepoints) September 9 - (...) **Since the post-Covid recovery, the multiplication of airline openings on the continent has brought to light a renewed interest in African regions considered as sources of growth.**

The development strategies of Air France-KLM, British Airways and Emirates reveal the horizon of an African opening-up, which is not being played out in the Sahel but in East Africa, Southern Africa and West Africa, in the countries bordering the Gulf of Guinea.

In this respect, the suspension of Air-France flights to Niamey (Niger), Bamako (Mali) and Ouagadougou (Burkina Faso) following the contagion of coups d'état in the Sahelian strip will have no significant impact on its African activities. **On June 23, the Franco-Dutch company opened a new regional office in Nairobi (Kenya), serving Uganda, Tanzania, Rwanda and Djibouti, as well as South Africa, Nigeria and Ghana.** A policy reinforced by the deployment of new services by its low-cost subsidiary Transavia France to Senegal, Cape Verde and Egypt from winter 2023-2024.

Air-France's reinforcement in Africa echoes that of British Airways, which has doubled the number of flights to Cairo over the last four years, entered into a partnership with South Africa's Airlink to facilitate access for its passengers to eighteen destinations in the sub-region, and plans to increase its routes to Accra (Ghana) from winter 2023.

But the new competition at work between airlines on the African continent is not a game between historical players, as witnessed by **Emirates** ' rise to African prominence since 2022. Over the past four months, the Emirati airline **has strengthened its coverage of East Africa,** increasing its daily flights to Dar es Salaam (Tanzania) and Entebbe (Uganda). **Last year, Emirates expanded its West and South African footprint,** increasing daily connections to Lagos and Abuja (Nigeria), and to Johannesburg, Cape Town and Durban (South Africa). The next stage of this development plan targets North Africa, where additional flights will be opened to Cairo from autumn 2023. The UAE's expansionist strategy in Africa follows on from the expansion of Dubai's Al Maktoum airport over the past 10 years, which aims to make it "the world's largest airport" over the next decade.

Before the outbreak of the Covid-19 pandemic, the tourism sector accounted for around 8% of African GDP. By last year, the sector had recovered to 65% of its pre-pandemic levels. **The acceleration in competition between major airlines since 2022 reflects a surge of confidence for the future of business and tourism flows on the great continent.** While the Sahel retreats and collapses in insecurity, other African regions are opening up, outlining the contours of a multi-speed Africa.

My comment: While European and Gulf airlines are eyeing the African market, we shouldn't forget Chinese airlines, or Ethiopian Airlines.

Ethiopian Airlines has come a long way in the last fifteen years. This is partly due to the unfailing support of the Ethiopian government, aided by China, and partly to the presence at its head of CEOs who are specialists in the airline business.

*Ethiopian Airlines also receives indirect support from China and India. The Chinese and Indians have made Ethiopia their Trojan horse: instead of exporting from home, they use Africa to flood the West with their goods, tax-free. Read my [letter](#) n°764
It should be noted that between 2016 and 2018, Ethiopian Airlines was the first African airline to attempt, unsuccessfully, to link Africa directly to America, offering flights between Lomé and New York and then between Abidjan and New York.*

> **CFM takes legal action after discovering counterfeit parts on 68 engines**

(source Air Journal) September 10 - **A UK-based supplier has allegedly manufactured documentation for parts that were subsequently installed on engines powering the Airbus A320 family and Boeing 737 family aircraft.** The legal filing offers more details on the developing story of falsified airworthiness documentation - known as Authorized Release Certificates (ARCs) - provided by UK supplier AOG Technics. **CFM, the joint venture between GE Aerospace and Safran, took legal action against the UK-based company on September 7, claiming it suspected that 68 engines had been fitted with false parts.**

(...)

"

Safety is our top priority and we are taking aggressive legal action against AOG Technics to accelerate the industry's ability to identify parts sold by this third party with falsified documentation," commented a CFM International spokesperson. The engine in question is the CFM56, which powers the older-generation Airbus A320 family and the Boeing 737 NG. An EASA investigation revealed that **some of the fraudulent components include turbine blades**, considered to be "life-limited parts" susceptible to fatigue over time. CFM said that none of the engines fitted with the fake parts had been involved in any accidents. The engine manufacturer added: "AOG Technics has no affiliation with GE Aerospace, Safran Aircraft Engines or CFM. We have proactively alerted our customers and maintenance shops, and we continue to work with our customers to assess the authenticity of the documentation for parts they have acquired directly or indirectly from AOG Technics."

The issue was first brought to CFM'

s attention **in July after parts sourced from AOG Technics were accompanied by suspicious documentation.** The documentation claimed the parts were new, but experienced technicians said they appeared to be used. CFM and Safran looked into the matter and confirmed that the documentation had been falsified, before informing

the regulators.

It seems that the manufacture of certificates is just the tip of the iceberg at AOG. **According to a Bloomberg report, key employees of the company have falsified their employment histories and even use stock photos on their LinkedIn profiles.** For example, sales manager Ray Kwong claimed to have spent decades working for the likes of All Nippon Airways (ANA), Mitsubishi and Nissan, but none of these companies have any record of his employment. **AOG also claims to have workshops located in places like Singapore, Miami and Frankfurt, but this is also untrue.**

My comment: Fake documents, falsified LinkedIn profiles, non-existent workshops ...

The airline industry has made no secret of its astonishment at the news that this London-based company is guilty of supplying false parts for engine repairs.

AOG Technics is not a supplier to Air France KLM, Safran, General Electric or Airbus, these companies have assured us.

> **Lufthansa to line up two more Airbus A380s in the absence of Boeing 777Xs**

(source Journal de l'Aviation) September 6 - German airline **Lufthansa has finally decided to reactivate two additional Airbus A380s**, currently stored since May 2020 by TARMAC Aerosave in Teruel (Spain), as a direct consequence of the pandemic.

They will be reintegrated into the Lufthansa fleet between 2024 and 2025.

This decision was prompted by the lack of available long-haul capacity following the postponement of deliveries of certain aircraft, in particular for Boeing's 777X program. Lufthansa has ordered some twenty 777-9s, which were initially scheduled for delivery between 2020 and 2025, but whose actual delivery dates remain unclear to the German airline.

Boeing still expects the 777-9 to enter service in 2025.

Until now, Lufthansa had planned to reactivate a total of 6 A380s, including two aircraft used in reserve. The German airline has already put four of its Super Jumbo aircraft back into service this summer, with the first commercial run between Munich and Boston on June 1. The next two are scheduled to return to service before the end of the year.

All Lufthansa A380s are now based in Munich. They currently serve Boston and New York JFK

on a daily basis, and will also be deployed to Los Angeles and Bangkok during the coming winter season. Finally, the German airline is already planning to serve New Delhi with A380s next summer, in response to strong demand from the Indian

market.

(...)

My comment: *Lufthansa has been forced to put some A380s back into service. The cost is not insignificant, especially as pilots had to be retrained on this machine.*

Although this aircraft is very popular with passengers, airlines prefer to replace them as soon as possible with twin-engine long-haul aircraft that consume much less fuel...

> **Meloni wants the Lufthansa-ITA agreement to be allowed to take off**

(source Reuters) September 10 - **Italian Prime Minister Giorgia Meloni asked on Sunday why European authorities had not authorized German carrier Lufthansa's investment in ITA Airways**, Alitalia's successor.

"Something curious is happening. The same European Commission that has been asking us for years to find a solution to the ITA problem is blocking it when we do find a solution," she told a press conference after the G20 summit.

(...) "**This transaction has not been formally notified to the Commission.** If a transaction constitutes a concentration and has a European dimension, it is always up to the companies to notify it to the Commission", said a Commission spokesman on Sunday.

At the end of May, Lufthansa agreed to take a 41% stake in ITA. Since then, **Italy has been in discussions with the European Union's competition authorities to obtain informal support before formally notifying the transaction.**

(...)

My comment: *It is customary for companies to have informal discussions with the European Commission before submitting an application.*

The Italian Prime Minister's remarks show a lack of knowledge of European arcana.

> **Alan Joyce, Qantas' emblematic boss, leaves the Australian airline by the back door**

(source La Tribune) September 5 - **It's the end of the road for Alan Joyce at Qantas. After 22 years with the Australian flag carrier, 15 of which as CEO**, the 57-year-old Irishman stepped down abruptly on Wednesday. Although his departure had already been announced in May - in favor of Vanessa Hudson, previously CFO of the Group, who will become the first woman to head Qantas - it was not scheduled until November. Quite a blow for the man who has embodied Qantas for so long and established himself as one of the world's leading airlines. Having weathered

numerous crises since 2008, this time he just couldn't resist.

When Alan Joyce took the helm of the Qantas Group in November 2008, after having headed up the low-cost subsidiary Jetstar Airways, he immediately embarked on **a highly ambitious project that could have turned his company into one of the giants of global air transport: the merger with British Airways**, then headed by an airline monster, Willie Walsh. Unveiled in December, **the project fell through** two weeks later, as discussions stalled over the respective weight of the two airlines in the new entity, and British Airways' desire to merge with Iberia (a merger that gave rise to the IAG group in 2010).

Despite this aborted merger, **Qantas held up well during the global financial crisis of 2008-2009**. Even the crash of flight QF32 in late 2010 failed to shake the company. However, Alan Joyce and his teams were dealt a harsh blow when an engine on one of the airline's 12 Airbus A380s suffered an uncontained explosion. The aircraft made an emergency landing in Singapore, with the wing damaged. Alan Joyce grounded the fleet, which did not return to service until three weeks later.

Qantas was eventually caught up in the difficulties, particularly on long-haul routes, and **in 2012 posted its first losses in almost 20 years** (financial year 2011-2012, Qantas closing its accounts on June 30). Alan Joyce reacted by splitting domestic and international activities into two separate entities, with over 1,200 redundancies.

A few months later, he also launched a major non-capital alliance with Emirates, which became his main international partner in place of British Airways. With 50 codeshare destinations, coordinated prices and schedules, Dubai becomes one of the main hubs for Qantas passengers between Europe and Australia, to the detriment of Singapore. Although the original target of 98 destinations is no longer in place, the partnership is a success and has just been renewed until 2028.

However, the Qantas boss will have to wait until 2015, with a further 5,000 redundancies, before seeing his group really get its head above water. After that, however, he'll have one record year after another until 2019. This will allow him to tackle symbolic projects such as the launch in 2016 of a non-stop flight on the mythical "Kangaroo Route", a flight of no less than 17 hours between Perth (eastern Australia) and London, 14,500 km. The following year saw the launch of the "Sunrise" project, designed to link Sydney (Western Australia) to London and New York from 2022, using specially adapted A350-1000s. With the advent of Covid, Alan Joyce reiterated his confidence in the "immense potential" of the project, despite criticism of the length of the flights, but was forced to postpone it. It is now scheduled for late 2025.

But Covid has far more serious consequences for Qantas. Australia is adopting a "zero Covid" policy, strictly closing its borders for almost two years. By the time it reopened fully **in July 2022, Qantas had lost** over 6 billion Australian dollars

(over 3.5 billion euros). Alan Joyce launched a drastic restructuring, and **over 8,500 of the 30,000 jobs were cut in two years, despite more than two billion dollars in public aid.**

Despite all this, Alan Joyce is trying to get the company going again in 2021, by preparing the return to service of the A380s the following year, and above all by placing a giant order with Airbus just before Christmas. With 40 A321 XLRs and A220-300s, plus 94 options, it's the biggest order in the Australian airline's history. **And last July, Qantas announced its first annual profit since the start of the crisis, with 1.1 billion dollars (1 billion euros).**

But it wasn't enough for Alan Joyce to save his job. Hated by the unions since the mass layoffs of 2020 and 2021, the CEO is leaving in a climate of crisis. As reported by AFP, Michael Kaine, national secretary of the Transport Workers' Union, hailed Alan Joyce's departure as "the first good decision" taken by the company "for a very long time". Labour Senator Tony Sheldon, a former leader of the Transport Workers Union, believes that "Alan Joyce's legacy at Qantas is now synonymous with low pay, precarious work, illegal redundancies and consumer rip-offs". In addition to the social climate, **Alan Joyce has been the subject of intense controversy in Australia for the past week, with the opening of an investigation by the competition regulator.** According to Reuters, the regulator accuses him of having sold tickets for some 8,000 flights in mid-2022 when they had been cancelled, in violation of Australia's consumer law. There has also been much criticism of Qantas' pricing practices, as well as pressure for Australia not to grant new traffic rights to foreign competitors such as Qatar Airways.

For his part, Alan Joyce said: "Over the past few weeks, the attention paid to Qantas and past events have made it clear to me that the airline's priority must be to renew itself. The best thing I can do in the circumstances is to anticipate my retirement and pass the baton to Vanessa and the new management team, in the knowledge that they will do an excellent job."

My comment: *Qantas is the third oldest airline still in operation (behind KLM and Avianca).*

I'll let you browse through this article, which looks back over the past twenty years.

The challenges facing Qantas are largely a consequence of Australia's geographical position, far from any other continent (see below).



> The Quimper-Paris plane will soon be a thing of the past

(source Alternatives Économiques) September 11 - For several years now, the sentence has been hanging over Cornouaille airport. **In November, the Brittany region will not be renewing the public service obligation (PSO) that justified maintaining the service between Quimper and Paris-Orly.** In the absence of public funding, the three daily rotations between the Finistère prefecture and the capital, operated since 2019 by the small French airline Chailair, will be discontinued.

Over the period 2020-2023, traffic hovered between 10,000 and 12,000 passengers a year, against a stated target of 79,000 passengers. Beyond this route, the airport has long been plagued by economic difficulties, compounded by the Covid-19 pandemic.

In 2022, it welcomed just 18,800 passengers, compared with 57,000 in 2019 and 82,000 in 2017, show statistics from the French Airports Union. It has to be said that the competition is tough: Brest airport, less than an hour's drive away, provides the same connections, and **the LGV rail line now makes it possible to reach Paris from Quimper in 3 h 30** (compared with 1 h 30 for the plane).

***My comment:** The example of Quimper shows that sometimes legislation is not necessary. The TGV naturally takes the place of the plane when rail links are of acceptable duration.*

> Camelina, the miracle plant air transport dreams of to decarbonize itself

(source Les Echos) September 5 - It's not every day that a Director General of civil aviation finds himself in a field with a farmer, discussing yield and harvest. But it's not just any field. **This small 3.5-hectare plot, lost in the Normandy countryside, is one of France's first camelina fields. An oleaginous plant that doesn't have the luster of its cousin rapeseed, but on which rests some of the hopes of decarbonizing air transport in France.**

Its secret: small green balls at the end of its stems shelter seeds, from which around 36% oil can be extracted. Once filtered and "hydro-treated", this oil is blended with kerosene to produce aviation biofuel. **According to the DGAC, this will result in an 80% to 86% reduction in carbon footprint, since the CO2 released when the biofuel is burned in aircraft engines is almost equivalent to the CO2 captured by camelina as it grows.**

Companies chasing "green" fuels

Air transport is counting heavily on its "green" fuels to achieve its goal of carbon neutrality by 2050. But for the time being, these biofuels remain rare and three to four times more expensive than traditional kerosene. In France, total production last year did not exceed 900,000 tonnes, according to a recent Senate report, less than the quantity needed to meet the requirement for airlines to use at least 1% sustainable aviation fuels (SAF).

Despite the government's repeated announcements since 2018 about setting up a French CAD industry, production is struggling to take off. To meet its needs, **the Air France-KLM group had to buy 41,000 tonnes of CAD abroad last year, i.e. 17% of global production, even though it accounts for just 3% of kerosene consumption.** And all companies are chasing suppliers.

Hence the spotlight given by the DGAC to this first French camelina plot. "

At this stage, camelina is the most suitable plant for biofuel production in France," says Gilles Robillard, farmer and President of the agronomic institute Terres Inovia, which conducts research on camelina. **"It has the great advantage of being able to grow in 90 to 100 days, between two traditional crops",** he continues. **This meets regulatory requirements, to prevent the production of biomass for fuel from reducing agricultural land used for food.**

"We sowed on July 1, just after a pea harvest, and we should be able to harvest at the beginning of October. After that, we're preparing for the next crop," explains farmer Fabrice Moulard, who volunteered to test this new crop with the support of agro-industrial group Avril. The latter supplied the seeds, and will then be responsible for processing the seeds and marketing the oil to oil companies. It's extra work, but regulations already require us to cover the soil after harvest to protect it," explains Fabrice Moulard. This intermediate crop can help absorb the nitrogen remaining in the soil and prevent it from leaching into the water".

However, this first test plot is a mere trifle compared with the enormity of the needs. With some ten million tonnes of kerosene consumed each year by air transport in France, 200,000 tonnes of oil would be needed to meet the European target of 2% CAD by 2025. Given that one hectare of camelina produces around one tonne of seeds, from which some 360 kg of oil can be extracted, **in theory more than 555,000 hectares would be needed to produce the quantity of camelina oil required in 2025.**

Compulsory intercropping complicates matters. Camelina needs favorable conditions to "rise" in less than 100 days. An excessively dry summer would prevent it from

reaching maturity within the allotted time. Several other experimental camelina plots have ended in failure. "Global warming tends to favor earlier harvests, which is good for intercropping, but dry spells pose irrigation problems", explains Gilles Robillard, whose institute is working to improve yields by developing the best seed varieties.

To allow intercropping, the previous harvest must also be ready by early July. This excludes a large part of France's agricultural regions, such as the North and the wheat and corn zones. But **this would still leave a potential of 2 million hectares for camelina intercropping in France, theoretically enabling the production of more than 800,000 tonnes of oil.**

(...)

But to complete the alignment of the planets, **the European institutions still have to finalize the adoption of the RefuelEU regulation, which includes, in its annex 9, the list of intercrops authorized for the production of aviation fuel.** The process has been delayed by Franco-German disagreements on the nuclear issue. "We're hoping for a plenary vote in the European Parliament in the autumn," says Kristell Guizouarn.

Fabrice Moulard, who is used to long delays and uncertainties, is not about to lose patience. The farmer, who is already preparing to hand over to his daughter Marie, remembers the early days of rapeseed in France, forty years ago. "My father started with three hectares of rapeseed," he recalls. Today, it's our main crop rotation. And there are 1.3 million hectares of rapeseed in France, part of whose oil is used for biofuels. It's the same story all over again with camelina.



My comment: Camelina may not be a panacea, but it does offer many advantages for the production of sustainable aviation fuel.

Most importantly, it absorbs CO₂ to grow, which would otherwise remain in the

atmosphere.

Special tax file

My preliminary comment: *The eco-tax on air transport is a subject that has been debated and adopted in several European countries to combat climate change.*

It aims to reduce CO2 emissions by making air transport less financially attractive, while generating revenue that can be reinvested in environmental initiatives.

I've written about this subject on several occasions. Here is a summary.

> [Letter 709, June 2019, 1st mention of Air Passenger Duty, an example for E. Borne](#)

(source La Tribune) June 21, 2019 - Rather than a kerosene tax deemed too complex in operational terms, **Transport Minister Élisabeth Borne is raising the idea of a passenger tax along the lines of the Solidarity Tax or the British Air Passenger Duty.** (...)

Contrary to the

wishes of the airlines, the proceeds of this new tax should not be reinjected into air transport, but rather, as will be the case for the surplus from the Solidarity tax, into the financing of land transport: "Isn't investing in the railways a contribution to the environment?" replied Élisabeth Borne when asked about the use of the proceeds of this new tax.

(...)

My comment: *In July 2020, the Citizens' Climate Convention will make a proposal (the sd-e1) to adopt an enhanced eco-kilometre charge. It too will be on similar lines to the British Air Passenger Duty.*

Read more below: A €4 billion ecotax: the dark scenario haunting French air transport.

> [Letter N°726, October 21, 2019 French eco-tax vote, based on the Chirac tax](#)

(source Journal de l'Aviation) October 21, 2019 - Article 20 of the bill provides for the system of the solidarity tax (taxe Chirac) to be adapted to include this "eco-tax".

The government estimates that this tax will amount to 180 million euros a year - but the law provides for a ceiling of up to 230 million euros. It will be levied on airline tickets departing from France, at a rate of between 1.5 and 18 euros, depending on the length of the flight and the class of travel.

Its aim is not to help make air transport cleaner, invest in research or create a commercially viable aviation biofuel industry. No, the entire sum should be earmarked for financing so-called clean everyday transport, in particular rail.

My comment at the time: First of all, a clarification: this new tax, like the solidarity tax (known as the Chirac tax), will not apply to connecting passengers.

France is not the only country in Europe to apply an eco-tax to air transport: . The Netherlands announced at the end of last year [2018] that KLM will have to pay an additional 240 million euros: 140 million euros in aviation tax to the Treasury and 100 million euros for noise pollution.

. In Germany, the government has decided to introduce a new tax to benefit the development of rail links, estimated at 740 million euros a year (see below).

In Great Britain, the Air Passenger Duty, which aims to limit the climate impact of air transport, will bring in 4.3 billion euros in 2019.

While the amounts vary from country to country, there is one constant: airlines deplore the fact that the proceeds of these taxes are not earmarked for research into alternatives to kerosene, which would help reduce CO2 emissions.

> [Letter N°726, October 21, 2019](#) Germany to drastically increase tax on airline tickets

(source Les Échos) October 21, 2019 - **Germany's cabinet on Wednesday passed a bill to increase taxes on airline tickets by 74% for domestic flights and flights within Europe, and by 41% for long-haul flights. (...)**

In detail, taxes on domestic and European flights departing from Germany will rise by 5.53 euros, to 13.03 euros. Taxes on long-haul flights will rise by between 10 and 16 euros, depending on whether or not they exceed a distance of 6,000 kilometers. All in all, the bill could approach 60 euros for the longest routes. (...)

For its part, the German government expects additional tax revenues of 740 million euros, which it will use to finance the lower VAT on long-distance train tickets.

My comment: For a long time the poor relation of the country's transport policy, rail is the major beneficiary of this shift to drastically reduce CO2 emissions.

The German climate package also calls for a further €20 billion to be injected between now and 2030 to modernize rail infrastructure and boost Deutsche Bahn's capacity.

> [Lettre N°773, September 14, 2020](#) A 4-billion-euro eco-tax: the black scenario haunting French air transport

(source La Tribune) September 14, 2020 - (...) **Seven proposals from the citizens' convention on aviation.**

The proposal to significantly increase the ecotax on air passengers would result in an increase in taxation on the sector of almost 4 billion euros based on passenger traffic recorded in 2019.

While the tax currently ranges from 1.5 euros in economy class on domestic and intra-European flights to 18 euros in business class on non-EU flights, the citizens' convention recommends raising it to 30 euros in economy class and 180 euros in business class on flights under 2,000 kilometers, and to 60 euros in economy class and 400 euros in business class on flights over 2,000 kilometers. Private jets would be even harder hit: 360 euros for flights under 2,000 km and 1,200 euros for longer flights.

In the end, still based on 2019 traffic, **the tax would generate revenues of 4.2 billion euros, compared with 440 million euros in 2020, taking into account the increase scheduled for the beginning of the year.** As a reminder, while last year's ecotax was in fact an increase in the Solidarity tax (Chirac tax)

Option proposée : Tarifs différenciés par distance

	Vols < 2 000 km	Vols > 2 000 km
Classe éco	30	60
Classe affaire	180	400
Jet privé	360	1200

My comment at the time: *Is the eco-tax proposed by the citizens' climate convention a new tax?*

No, it's a modification of an existing tax. The enhanced eco-kilometre charge has been modelled on the Air Passenger Duty, which has existed in the UK for over ten years.

Will this tax distort competition?

Yes, it is far superior to all similar taxes levied on the main European airlines, whether in the UK, Germany or the Netherlands. What's more, it would add to existing taxes in France that do not exist in other European countries.

Will this tax help reduce CO2 emissions from air travel?

No. As it is presented, it will not be used to finance research into an alternative fuel

to kerosene, even though projects do exist: third-generation fuels, use of hydrogen. If successfully implemented, these projects could reduce CO2 emissions from air transport to zero within the next fifteen years.

Have airlines acted, and will they continue to act, to reduce their CO2 footprint?

Yes. By 2020, Air France has committed to offsetting 100% of the CO2 emissions of its domestic flights - some 500 daily flights before the crisis - and to reducing the CO2 emissions of its domestic network by 50% by 2025, through fleet modernization and route closures.

Do French airline professionals reject any taxation?

No. They are calling for the efforts required of airlines to combat global warming to be decided and harmonized at European level. They are asking that this eco-tax be used to finance projects to reduce airline CO2 emissions. They also ask that the implementation of this tax should only take place once the airlines have returned to financial equilibrium.

> [Lettre 782, November 2020](#) **The Netherlands to impose a tax of 7.45 euros per airline ticket**

(source Air Journal) November 16, 2020 - **Passengers departing from airports in the Netherlands will pay a tax of 7.45 euros per airline ticket from January 1**, according to a decision by the Dutch government.

There will be no tax on cargo flights, however, because, according to the Dutch government, companies could move abroad, with disastrous consequences for Schiphol-Amsterdam airport, for example. The new air tax is expected to raise around 200 million euros a year for the Dutch government. However, it will not apply to transit passengers. The amount will be set annually on the basis of inflation.

Last year, nine European Union member states (France, Germany, Italy, the three Benelux countries, Sweden, Denmark and Bulgaria) urged the European Commission to open the debate on taxing the airline industry, "for example through specific fiscal measures or similar policies".

***My comment at the time:** While the amounts vary from country to country, there is one constant: airlines deplore the fact that the proceeds of these taxes are not earmarked for research into alternative solutions to kerosene, which would reduce CO2 emissions.*

> [Lettre 877, September 2022](#) **The Netherlands to quadruple tax on air travel**

(source Le Figaro) September 12, 2022 - **From the beginning of next year, (...)** according to sources interviewed by the Dutch daily De Telegraaf, the country plans

to charge more to those who fly out of its territory. Although the news has not yet been officially announced, **the passenger tax could rise from 7.95 euros to 28.58 euros per ticket from January 1, 2023.**

My comment at the time: Little by little, environmental taxation of air travel is spreading across Europe.

In November 2020, here's what I wrote on the subject.

As early as the end of 2018, the Netherlands had announced the implementation of this tax [of 7.45 euros at the time], which should impact KLM to the tune of 140 million euros per year.

In Germany, the government has decided to increase its tax on airline tickets. This will bring in an additional 740 million euros a year.

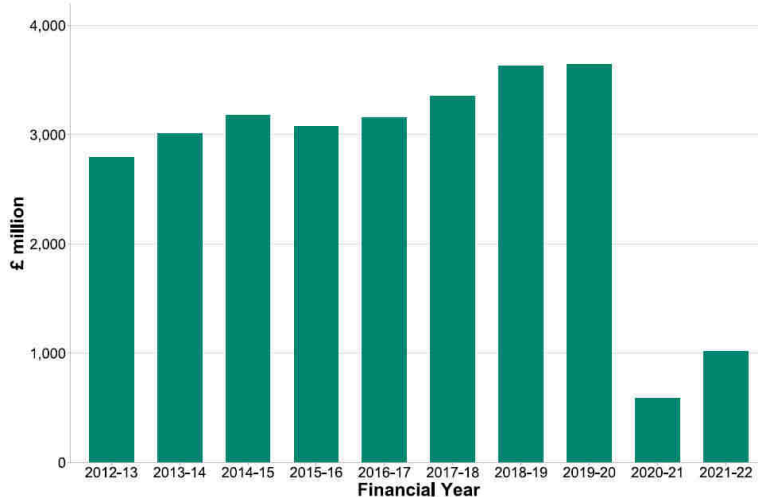
In Great Britain, the Air Passenger Duty, which aims to limit the climate impact of air transport, has been in place for over ten years. In 2019, it brought in 4.3 billion euros for the British government.

> [Letter N°907, April 2023](#) **UK halves tax on domestic flights**

(source Les Echos) April 10, 2023 - - It wasn't an April fool's joke, but a decision that bucked the European trend. On April 1, **the UK halved its Air Passenger Duty (APD) on domestic flights, in a bid to boost air traffic on domestic routes.** The APD tax, which has applied to all flights departing from the UK since 1994 and whose amount varies according to the length of the journey, was reduced from £26 to £6.5 per segment (7.5 euros), or £13 for a round trip (15 euros).

However, another aspect of the government's measure is also upsetting airlines. The reduction in APD on domestic flights will be more than offset in the State budget by an increase in the same tax on long-haul flights of over 5,500 miles (8,851 km), which has risen from 82 pounds per flight in "economy" class to 91 pounds (104 euros) and up to 607 pounds (694 euros) in Première.

Figure 1: Total APD receipts for the previous 10 financial years



My comment at the time: The overall Air Passenger Duty (APD) revenue collected by the UK government was estimated for the year 2022-2023 at £3.5 billion (€4 billion), close to the maximum seen over the last ten years (see graph above).

To my knowledge, this tax, whose aim is to limit the climate impact of air transport, is unrivalled in Europe in terms of its size.

Will the measure (reducing the tax on domestic flights and increasing it on longer flights) in force from April 1 have any impact on the behavior of British travelers?

British airlines have begun to respond: they are increasing their summer program on domestic flights, while continuing to increase their long-haul program.

> What taxes are already costing us on a plane ticket

(source Capital, excerpt) July 12, 2019 - To understand why taxes weigh up to 62% in the price of a ticket, all you have to do is look at airline taxation.

The civil aviation tax, specific to France and collected by the State, enables the DGAC (Direction Générale de l'Aviation Civile) to operate smoothly. It amounts to 4.58 euros per passenger for flights from France to the 28 countries of the European Union, Switzerland, Iceland, Norway and Liechtenstein. For journeys beyond these countries, you should expect to pay 8.24 euros. **Airports**

then **collect a tax in their name, which is used to finance security services** (baggage screening, detection equipment, etc.), **safety services** (fire, terrorist attacks) **and environmental controls**". The levy varies from airport to airport, which goes some way to explaining why the total amount of taxes varies from one ticket to another.

Then, effective in only 9 countries, comes the **solidarity tax, also known as the "Chirac" tax**, the proceeds of which go to UNITAID for vaccination aid in developing

countries. This time, airlines pay 1.13 euros per economy-class ticket (11.27 euros per first- or business-class ticket) to France, the 28 countries of the European Union, Switzerland, Iceland, Norway and Liechtenstein. For travel to other countries, the Chirac tax rises to 4.51 euros per economy ticket and 45.07 euros per first or business class ticket.

Last but not least, airlines pay **the noise tax**, which also varies according to the noise level of each aircraft and the time of day it flies. Revenues from this tax are used to finance the insulation of homes located in a defined area around France's 11 main airports.

Other obligations for airlines are more in the nature of fees. The most notable of these is the "passenger" fee, paid by airlines to airports for the use of infrastructures designed to receive passengers and the public. Naturally, the amount of this fee varies according to the number of passengers carried by the airline, and also varies from airport to airport according to passenger flow. Expect to pay between €4.30 and €13 per ticket.

And don't forget VAT (10%) on domestic flights, which also applies to most of the above taxes.

My comment: The ecocontribution is in addition to the various taxes and fees described above.

> **Ecocontribution in Europe: Summary**

(various sources) September 8, 2023 - Eco-taxes on air transport are a topic that has been debated and adopted in several European countries to combat climate change. These taxes aim to reduce CO2 emissions by making air transport less financially attractive, while generating revenue that can be reinvested in environmental initiatives. Here's a comparison of eco-taxes on air travel in selected European countries

France:

In 2019, France has announced an eco-tax on airline tickets for all flights departing from France, except to Corsica and overseas territories.

This tax varies from €1.50 for a domestic or intra-European flight in economy class to €18 for a flight outside the EU in business class.

Germany:

Germany introduced a tax on airline tickets in 2011.

Fares vary according to distance: around €7.50 for short-haul flights, €23.43 for medium-haul flights and €42.18 for long-haul flights.

United Kingdom:

The UK has an "Air Passenger Duty" (APD) which is one of the highest air taxes in Europe.

It varies according to distance and class of travel, ranging from €7.50 for short economy flights to over €600 for long-haul flights in premium classes.

Sweden:

Sweden introduced a tax on airline tickets in 2018.

It varies from SEK 60 (approx. €6) for short flights to SEK 400 (approx. €40) for long-haul flights.

Norway:

Although not a member of the EU, Norway has also had a tax on airline tickets since 2016.

It is around 80 NOK (around €8) regardless of destination.

Netherlands:

The Netherlands has introduced an air ticket tax of €7.95 per passenger from 2021, but plans to increase this to €28.58.

My comment: Some of the amounts quoted are approximate or have not yet been definitively adopted.

To my knowledge, these six countries are the only ones in Europe to have adopted an eco-tax.

> **Should we increase the air ecocontribution?**

(source Les Echos / Opinion) September 6 - Announced several months ago, **the increase in the ecocontribution paid by airlines seems to be taking shape.**

While the scope and amount of this tax are still under discussion, it is nevertheless worth considering whether it is justified.

The ecocontribution is used to fund the Agence de financements des infrastructures de transport de France (Afitf), whose aim is to invest in rail, port and road infrastructure. Air transport has already been subject to this tax since 2020.

Why ask the air transport sector alone to increase its contribution? Air transport accounts for between 2% and 3% of global CO2 emissions, compared with 8% for road haulage, which is not affected by such an increase.

It will be objected that air transport pays no taxes on kerosene, either for international or domestic flights. But there's a quid pro quo: all airlines must pay the safety and security tariff, which finances a mission of the French government. They are also subject to no less than five specific taxes.

This transfer of revenue from air to rail is all the more paradoxical in that a tax is being increased in a highly competitive sector to finance a rail sector that remains a virtual monopoly. Contrary to popular belief, air travel is a low-margin business. According to the International Air Transport Association (IATA), **worldwide profit per air passenger in 2023 is expected to be \$2.25** - half the price of a coffee [in Geneva], to use IATA's image. In other words, any increase in the ecocontribution will be passed on in full to passengers.

Beyond its targeting of the airline sector alone, the **increase in the ecocontribution raises two questions: that of its base and that of the allocation of revenues.**

With regard to the tax base, **it currently applies only to flights departing from France**, with the amount differentiated according to flight length and travel class.

Such a limited geographical scope is likely to generate distortions of competition. Indeed, a passenger departing from the provinces and making a connection in Paris on a long-haul flight will have to pay this ecocontribution twice.

Conversely, if they make their connection in Germany or the UK, they will only have to pay once, and on the shortest flight. **Such a situation will undermine the competitiveness of an already ailing French flag.** Ecocontribution should be designed at least on a European, if not global, scale, to limit traffic leakage and connections to more distant hubs, which ultimately increase CO2 emissions.

If the tax is too high, business-class passengers will prefer to travel in economy class or on other airlines, which will lead the latter to sharply increase the price of economy-class tickets to compensate for the loss of revenue.

As for the allocation of revenues, these should continue to finance the rail network. But the ecocontribution will not encourage the environmental transition of air transport. Paradoxically, it could even delay it: by reducing airline margins, it will slow down their investments in newer fleets or in the use of sustainable fuels.

These revenues should be redirected to R&D for green aviation or to encourage the use of sustainable fuels. Failing that, Aftitf could decide to allocate the revenues to strengthening modal complementarity between rail and air. For example, by improving rail services to airports, in order to develop genuine intermodality. This allocation of the eco-tax would also have a symbolic merit: it would finally put an end to the opposition between rail and air.

Paul Chiambaretto is Professor at Montpellier Business School and Director of the Pégase Chair in Air Transport Economics and Management.

Emmanuel Combe is a university professor at Paris-I Panthéon-Sorbonne and Skema Business School.

My comment: It bears repeating.

Air transport may emit CO2, but it brings people together to build the world of

tomorrow. For many countries, tourism is a necessary, even indispensable resource. And it very often depends on air transport.

Unless we want to make all airplanes disappear, ecocontribution revenues should be earmarked for Research & Development in sustainable aviation and to encourage the use of sustainable fuels.

Finally, there is often talk of distortion of competition when a new tax is introduced.

It should be borne in mind that airlines have much lower margins than most other businesses. On average in 2023, according to IATA, this margin represents 2.50 euros per passenger.

Stock market press review

> US airlines fall after Saudi Arabia and Russia extend oil production cuts

(source Reuters) September 5 - Shares in major US airlines fall after Saudi Arabia and Russia say they will extend their voluntary oil production cuts until the end of the year

My comment: Airlines are at the mercy of a number of events beyond their control: attacks like the one on September 11 (22 years ago today), the awakening of a volcano in Iceland, epidemics (SARS, Covid-19).

At the moment, the war in Ukraine is driving up the price of oil and kerosene, limiting their ability to repay Covid-19 debts.

End of press review

> Air France-KLM share price trend (and that of four other airlines) over the last month

Air France-KLM share price over the past month :



My comment: The table above (source: Boursorama) shows Air France-KLM's share price over one month, down nearly 9%.

Other airlines suffered similar one-month declines:

- . IAG: -5.84%,
- . EasyJet: -10.20%,
- . Lufthansa: -7.40%,
- . Delta : -9,38%,
- . Air France-KLM: -8.80%.

Pressure on oil prices is likely to have been behind this decline. On this subject, see the brief article above on the extension of oil production cuts by Saudi Arabia and Russia.

> Air France-KLM share price trend

Air France-KLM shares closed at **13.24 euros** on Monday September 11. It is **down** this week by **-6.10%**. **Pressure on oil prices is probably behind this decline.**

In two months, the Air France-KLM share price has lost over 20%. Other airlines fared little better.

Lufthansa lost 12%, Delta 15%, easyJet 11%.

The share price was 1.253 euros on January 2, 2023.

The average (consensus) 12-month analyst price for AF-KLM shares is 1.97 euros (it was 1.50 euros at the beginning of January). The highest price target is 2.45 euros, the lowest 1.10 euros. I only take into account analysts' opinions subsequent to the May 2022 capital increase.

You can find details of the analyst consensus on my blog.

My comment: *Pressure on oil prices is probably behind this drop.*

> **Fuel price trends this** week

The price of a barrel of Jet Fuel in Europe is up +\$6 to \$131. It was \$94 at the end of June, and \$79 before the outbreak of war in Ukraine.

Brent crude oil (North Sea) is **up slightly by \$1 to \$90.**

From mid-February 2022 to the end of July 2022, it was yo-yoing between \$100 and \$120. Since then, it has oscillated between \$75 and \$99.

The spread between Jet Fuel in Europe and Brent crude oil is still abnormally high. It now stands at \$41, whereas it was around \$15 before the conflict in Ukraine. In 2022, at the start of the Ukrainian conflict, the spread was close to \$50.

My comment: *The spread between Jet Fuel in Europe and Brent crude oil is still abnormally high.*

It now stands at \$41, whereas it was around \$15 before the conflict in Ukraine. In 2022, at the start of the Ukrainian conflict, the differential was close to \$50.

This decorrelation between the price of Brent crude and the price of jet fuel has led airlines to review their fuel hedging strategies. Before the Ukrainian crisis, most fuel hedging was based on the price of Brent crude oil.

== quote: Air France-KLM Group UNIVERSAL RECORDING DOCUMENT 2022, page 173:

(Thus) the Air France-KLM Group had put in place a policy of systematically hedging fuel price risk essentially based on the price of oil (Brent).

At the start of the Ukrainian crisis, against a backdrop of high volatility and tension on the commodities market, the Air France-KLM Group integrated new hedging instruments on cracking margins to better cover the risk linked to the decoupling between indices reflecting the price of crude oil (Brent ICE) and indices reflecting the price of refined products (Gasoil ICE and Jet CIF NWE).

== end of quote

In short, part of the Air France-KLM Group's fuel hedging is now based on the price of Jet Fuel.)

Good to know

> Advice for current and former employee shareholders

You'll find [details of how to access the managers' websites](#) on my [navigation](#) site.

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**. This will be used for all correspondence with 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 Interépargne, Société Générale, and your personal financial institution if you bought your shares through it.

My comment: *If you have shares in one of the funds managed by Natixis Interépargne, remember to log in to your account manager once a year, to avoid it being considered inactive.*

*PEE
inactivity is governed by the Eckert law.*

After 5 years of inactivity, Natixis Interépargne sends a letter/email to those concerned asking them to log in to their account or to call Natixis Interépargne to reactivate their account.

Natixis Interépargne sends this information every year after 5 years of inactivity and up to the 10th year. After 10 years of inactivity, the assets are transferred to CDC, which holds them for 20 years.

This is in fact the old 30-year prescription period, which breaks down into 2 stages: 10 years with the account keeper and 20 years with CDC.

Inactivity means not carrying out any transactions and/or not logging on to your account and/or not calling and/or not writing to Natixis Interépargne.

This system also applies to PERCO/PER since the PACTE law.

> FCPE management / Air France-KLM share consolidation

When you invest in one of Air France's FCPE funds, you obtain shares in these funds. You do not hold shares directly.

It's 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 equities.

My comment: *If you'd like to find out more about the management of the various Air France employee shareholding funds, please visit the [Air France-KLM employee shareholding section of my website](#).*

My specific comment on the share consolidation: *On July 21, Natixis Interépargne sent information to all current and former employee shareholders by e-mail.*

It reads as follows:

On July 12, 2023, Air France-KLM published a press release (click [HERE](#) to access this document) announcing a share consolidation (1 new share combines 10 old shares, resulting in a 10-fold increase in value) and share capital reduction.

Holders of FCPE units are not concerned by the exchange period running from July 31 to August 30 mentioned in the press release.

On August 31, the share price (multiplied by 10) was correlated with the unit value, which will remain identical:

- so that the value of the FCPE unit is as close as possible to the share price;*
- resulting in a reduction in the total number of FCPE units.*

The Concorde, Majoractions and Aeropelican FCPEs carry 10 times fewer shares, with the share value multiplied by the same amount.

As these two operations offset each other, holders of shares in these FCPEs did not suffer any impact on the amount of their savings.

Details

This information does not constitute a solicitation to buy or sell Air France-KLM shares.

Please feel free to react to this press review, or to send me any information or thoughts that will help me better carry out my role as a director of the Air France-KLM Group.

By return, you can ask me any questions you may have about the Air France-KLM group or employee share ownership...

See you soon.

For the latest Monday press reviews, [click here](#).

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

New readers can receive it by [sending me](#) an email address of their choice.

| François Robardet

former Director of Air France-KLM.

You can find me on my twitter account @FrRobardet

Nicolas Foretz, PNC, Director of Air France-KLM representing employee and former employee shareholders, PNC and PS



To write to Nicolas: [message for Nicolas Foretz](#).

During our election, we received the support of the CFDT and the UNPNC.

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

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

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