

No reduction at Schiphol after 2024

I Letter from François Robardet

At the forefront of more responsible European aviation, we bring people together to build the world of tomorrow

(Air France-KLM Group raison d'être).



former Director Air France-KLM

Representative of current and former employee shareholders PS and PNC

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Editorial

Dear readers,

The operation to open up the capital to employees and former employees of the Air France-KLM group comes to an end on Friday November 24.

You will find information at the end of this newsletter, in the Good to know section.

*Please note that **this information does not constitute a solicitation to buy or sell Air France-KLM shares.***

We wish you a pleasant reading.
François

Monday's Press Review

> No narrowing of Schiphol in 2024 or later: Brussels wants alternatives first

(source Luchtvaart nieuws, translated with DeepL) November 15 - **The European Commission will most probably also reject the notification of the Ministry of Infrastructure and Water Management (I&W) on the balanced approach procedure at the end of this year. This procedure is necessary so that Schiphol can reduce its traffic to a maximum of 452,000 aircraft movements from 2025.**

Brussels insiders told Aviation News on Wednesday, on the sidelines of the IATA conference in Amsterdam. **The balanced approach means that all other means of reducing noise and nuisance for Schiphol's local residents** must first be used before forced slot reductions can be implemented for environmental reasons. KLM, among others, explained how this could be done, for example by investing in a modern, quieter fleet, smarter approach and departure procedures, optimal runway utilization, operational adjustments and by sparing the night as much as possible. This would also reduce noise pollution by 20% over the next few years, a target set by outgoing Transport Minister Mark Harbers.

With this new balanced approach procedure, **the Minister for Infrastructure and Water Management (I&W) will once again be making trouble in Brussels after having cancelled his controversial experimental project for the first narrowing in 2024** under massive pressure from the European Commission and the US Department of Transportation.

The latter had threatened to retaliate against KLM in the US for cancelling historic US slots at Schiphol and banning newcomer JetBlue in violation of the Open Skies agreement. "This triggered tensions that the Dutch government underestimated," said a political source who wished to remain anonymous.

(...)

The day after the IATA meeting, we heard everywhere: "A disgrace for the Netherlands". According to the aviation lawyers present, people often forget that the current upper limit of 500,000 take-offs and landings at Schiphol has been approved by three governments and parliaments, and is considered current legislation in Brussels. "So it's not possible to get rid of it so easily from a political point of view.

The aviation industry is both pleased and angry with Schiphol's response. **Schiphol management says it is disappointed by the postponement of the narrowing, as local residents are not the big winners in the deal.** "Many things are now unclear and uncertain, whereas it is really necessary for the nuisance for local residents to decrease. The need for a night-time closure is greater than ever", said the airport.

The airport, whose airlines are customers, should at least mention the industry's efforts and billions of investments to fly cleaner, quieter and more economically, and reduce noise and pollution.

(...)

My comment: According to the Dutch press, Dutch Transport Minister Harbers "has been severely reprimanded by the European Union for the botched job he has done".

The European Commissioner for Transport expressed his "serious concerns" about the "failure to respect the balanced approach procedure". Brussels also threatened to launch infringement proceedings against Mr. Harbers "for what it considers to be a failure to comply with European regulations".

If only the 2024 activity reduction project at Schiphol was rejected, it is likely that the same will be true for the 2025 version.

This is obviously very good news for KLM, as we await the response from the management of Schiphol, Amsterdam's airport.

In recent months, Schiphol's management had hinted that, come what may, it would not have the manpower to handle more than 470,000 flights in 2024, which is just another way of ignoring Brussels' opinion.

> **Air France-KLM's appetite for Portuguese carrier TAP thwarted ...**

(source Le Figaro) November 17 - **Air France-KLM will have to wait a few more months to find out whether its bid to buy Portuguese carrier TAP meets the requirements of the authorities. A political crisis is shaking the country**, which at the end of September officially launched the process of privatizing 51% of the national airline, attracting the interest of the three major European groups: Air France-KLM, Lufthansa and the IAG group (British Airways, Iberia...). The Portuguese Prime Minister resigned on November 7 amid suspicions of embezzlement and corruption. No decision concerning TAP will therefore be taken before the formation of the new government, which will follow the early parliamentary elections scheduled for four months from now.

Miguel Frasquilho, economist and former president of the Portuguese company, believes that this postponement will benefit the company's valuation. "The severe restructuring imposed to make the company profitable and sustainable is now bearing fruit, and the government should not rush its privatization," he said. TAP, which had been in great difficulty, returned to the black in the third quarter. It posted a record profit of 180.5 million euros, up 62.2% on the same period last year.

(...)

My comment: *Patience and length of time are more important than strength and rage.*

This moral of La Fontaine, still valid in the Alitalia / ITA Airways case, now applies to the TAP Air Portugal case.

We'll have to wait for a new government to be formed, after the early elections of March 10, 2024, for the sale of the Portuguese airline to move forward.

> ... Support from the French government

(source Le Figaro, continued from previous article) November 17 - **Air France-KLM, which had accumulated losses of 10 billion euros in 2020 and 2021, was largely supported by the French state and forced to repay its loans**, under the supervision of the European Commission, in order to once again participate in the consolidation of the European market. This has now been achieved. **The French State, through the Agence des participations de l'État (APE), has reiterated and clarified the conditions under which the unwinding was carried out.**

During the Covid crisis, the State shareholder - which holds 28.6% of Air France-KLM's capital - carried out three or four operations to rescue the group. **We took part in two capital increases, in 2021 and 2022,**" recalls Alexis Zajdenweber, head of the Agence des participations de l'État (APE). The first for around 600 million euros and a second for around 650 million euros in 2022. A total of 1.250 billion euros. To date, **these investments remain at a discount of around 35% to the price at which we subscribed.** That's not a problem in itself - we're a long-term investor - but we can't say that we've made a quick and sharp capital gain on these operations."

In addition, a €4 billion state-guaranteed loan (PGE) was granted in March 2020 and repaid in 2023. We didn't receive any interest," says the head of the APE, irritated by reports that the French state had profited from measures put in place to help the national airline during the crisis. The banks lent and received repayment and interest. The **state's remuneration was limited to a guarantee fee**, in line with the European Commission's temporary framework for state aid, and designed to remunerate the fact that the state bore 90% of the risk of losses." In the event of default, 90% of the sum would be borne by the State. "In this respect, the State received **180 million euros** between the granting of the PGE and its repayment in March 2023," explains Alexis Zajdenweber.

Then, in May 2020, the State granted a shareholder advance of 3 billion euros to the group. "We tried to meet the criteria set by Brussels at every stage. This justified a certain level of remuneration, proportionate to the level of risk," emphasizes the head of the APE. This shareholder's advance was converted in April 2021 into "super subordinated" securities, which are riskier than bonds. **Over the three years during which the scheme has been in place, we have received 392 million euros.** The Commission demanded a level of remuneration that

reflected the high risk associated with these instruments", insists the senior civil servant.

He points out that, since 2008, Air France-KLM has not paid any dividends to its shareholders, nor to the French State, a long-term shareholder, which has not complained.

My comment: *The article refers to a subject that was covered in [my letter no. 936](#): "The Air France bailout has turned into a jackpot for the French state".*

The article in Les Echos stated that:

=== beginning of quote

According to our information, Air France-KLM paid a total of some 650 million euros to the French state, in the form of a guarantee for the 4 billion euros in bank loans 90% guaranteed by taxpayers' money, interest on the 3 billion euro direct loan from the state shareholder and early repayment fees.

=== end of quote

According to the director of the Agence des participations de l'État (APE), the amount is slightly lower (572 million euros).

This amount will have to be reassessed in the future, when the French state resells the shares it acquired during the 2021 and 2022 capital increases.

> **Emirates to build new MRO facility at Dubai World Central**

(source Flightglobal, translated with DeepL) November 14 - **Gulf airline Emirates is to build a new \$950 million engineering facility at Dubai's World Central Airport, to meet the needs of its fleet and operations for at least the next 20 years.**

The facility will offer a full range of engineering services, including light and heavy maintenance programs, engine repair and testing, complete cabin interiors and aircraft conversions.

(...)

In addition to meeting the needs of Emirates' fleet until the 2040s, the facility will also be able to provide spare capacity for other airlines.

Construction work on the first phase of the project is due to start next year and is scheduled for completion in 2027. This phase will include eight maintenance hangars and a paint hangar, capable of accommodating commercial aircraft, including Airbus A380s.

Ali Mubarak Al Soori, Emirates Group Executive Vice President of Facilities and Project Management, says: "**Arrangements have been made for further expansion, potentially doubling capacity in Phase 2, in line with Emirates' fleet**

growth and operational requirements."

Emirates' existing engineering center at Dubai International Airport will continue to support the airline's operations, with the new DWC complex initially handling overflow work and heavy maintenance programs with longer aircraft ground times.

My comment: *Be careful not to confuse Dubai World Central Airport (DWC) with Dubai International Airport (DXB). They are located some 60 km apart.*

Dubai International Airport (DXB) is currently the world's third busiest airport (some 90 million passengers/year). However, it is located in the city center, close to saturation point, and its small size (29 km²) means that expansion is out of the question.

In contrast, Dubai's World Central Airport (DWC), which is still not very busy, is the world's second-largest airport, covering 140 km². It is due to replace its neighbor in the 2030s. When completed, it will have an annual capacity of over 160 million passengers.

The new airport will also be the site of Emirates' future aircraft maintenance center.

The new facility will enable Emirates to be fully self-sufficient in maintenance, repairs, overhauls and all engineering requirements for our aircraft fleet.

> **Non-compliance with curfew at Nantes airport: fines for airlines could soar**

(source Le Figaro) November 14 - **Airlines could pay even more for delays and failure to comply with curfews in force at several of France's airports, such as Nantes, Orly and Charles-de-Gaulle.** On Friday, as part of the National Assembly's examination of the 2024 budget, **an amendment** - proposed by the ecologist group - was voted in this direction. It **provides for a doubling of the ceilings on fines** that the French airport nuisance control authority (Acnusa) can impose. These ceilings had not been modified since 2012.

According to Julie Laernoës, an ecologist MP from Loire-Atlantique, the **amendment "aims to reinforce the fight against airport nuisance"**. While fines can now reach a maximum of 40,000 euros, the French Civil Aviation Authority (DGAC) has stated that, for the time being, the average fine imposed is around 15,000 euros. "It was urgent to give Acnusa greater dissuasive power, and to raise the ceiling on fines to encourage airlines to comply with the law, instead of putting their economic interests before respect for environmental rules", stresses the MP.

Along with Paris-Orly, Nantes airport is one of the most affected by non-compliance with current legislation. So much so, that last June, Acnusa issued a

press release denouncing a form of "habituation" on the part of airlines in this area. Shortly afterwards, in mid-August, the authority also criticized the intensive rotations of certain airlines and asked them to review their flight schedules, taking into account the "operating constraints" of an infrastructure designed to compensate for the abandonment of the Notre-Dame-des-Landes project.

These clarifications had no real effect. Nantes airport's curfew, in force between midnight and 6 a.m., has seen a number of violations in recent months. To remedy this situation, Julie Laernoès would like to see even more restrictive legislation: **"The priority obviously remains the rewriting of the curfew and its extension to make the restriction of night flights at Nantes Atlantique airport truly enforceable."**

(...)

My comment: *Contrary to what the title of the article implies, the increase in fines for non-compliance with curfews concerns all airports subject to curfew.*

At present, they prefer to pay the fines rather than divert planes to other hubs, with the inconvenience for passengers and the additional costs for the airline (cost of passenger accommodation or rerouting, cost of bringing the plane back the next day, crew management).

If this measure comes into force, it would be a major upheaval for low-cost airlines, which could decide to close their bases at some of these airports.

The airlines concerned at Nantes (EasyJet, Volotea, Transavia and Air France) have already indicated that they may be tempted to relocate their aircraft if a stricter curfew is introduced.

> **Clément Beaune announces the rewriting and relaunch of the tender for the Nantes Atlantique concession**

(source Journal de l'Aviation) November 17 - A month and a half after abandoning the tender procedure for the re-concession of Nantes Atlantique airport, Transport Minister **Clément Beaune** returned to Nantes on November 16 to outline the next developments in the dossier. He **announced the relaunch of a new call for tenders, with a redefinition of the specifications by the end of the year and a rewriting of the curfew decree.**

Defined in October 2019, the previous call for tenders had failed to generate sufficient interest for a competitive bidding process. Its conditions had in fact been rendered obsolete by the health crisis, its impact on traffic and the tightening of environmental requirements. **The government has given itself six weeks to relaunch the procedure, with specifications that will be drawn up with the new environment in mind, and which will involve local authorities in their drafting. One thing is certain: the project to extend the runway by 400 metres to the south has been definitively abandoned.**

The aim is to encourage and study proposals for the resumption of the concession in 2024 and 2025, in order to award the new contract in 2026 and begin redevelopment of the airport. In the meantime, the French government has asked Vinci Airports, the current concession holder, to launch an emergency works program to improve service quality at the hub.

It also wishes to rewrite the curfew decree introduced in April 2022, to speed up investigation times and the application of sanctions in the event of non-compliance, so that cases can be settled in less than a month. The curfew prohibits the scheduling of flights between midnight and 6 a.m., but tolerates overruns for reasons beyond the carrier's control. Since its introduction, 49% of nights have gone without a flight during the curfew period, compared with 2% in 2019, but **75% of overruns are considered as breaches and are subject to sanctions.**

Finally, an independent study will be launched by the end of the year to analyze the health issues associated with airport activity.

***My comment:** Five years after the project to build a new airport at Notre-Dame-des-Landes was abandoned, work to redevelop Nantes airport has not yet begun.*

No doubt the new specifications, which will take account of climate change concerns, will be different from the previous one.

> **Airbus saves the day in Dubai with Emirates' order for 15 more A350s**

(source Les Échos) November 16 - **Although trailing Boeing in the race for orders, Airbus ended the Dubai Airshow with some good news: an order for a further 15 A350-900s from Emirates.** These are in addition to the 50 A350-900s already ordered by Emirates, for an estimated value of over \$13 billion.

However, this consolation prize does not erase the disappointment suffered by Airbus in Dubai. **With the Turkish Airlines mega-order still to materialize, the European aircraft manufacturer ended the show far behind Boeing, with 56 orders (26 long-haul A350s and 30 medium-haul A220s) compared with 246 for its American rival (136 long-haul and 110 medium-haul).**

But above all, the new flagship of its range, the A350-1000, designed to replace the A380, was doubly snubbed by Emirates. Not only has the Dubai-based airline still not bought a single one, preferring to order 95 more of its competitor, Boeing's 777X, but its Executive Chairman, **Tim Clark, has questioned the performance of its Rolls-Royce engines.**

At a press briefing, the Emirates chairman made it clear that he would not order an A350-1000 until its Rolls-Royce XWB-97 engines, specially developed for this aircraft, had reached the required levels of reliability and maintenance costs. "The

engine doesn't do what we want it to do, so we won't place an order until it does," sums up Tim Clark.

The Emirates boss was even more specific about his expectations. According to him, the Rolls-Royce Trent XWB-97 engines specially developed for the A350-1000 would require a return to the maintenance workshop every 400 to 500 flight hours, due to the operating conditions - high heat and sand - more difficult in the Gulf region than elsewhere. Emirates requires its aircraft engines to be able to run for at least 2,000 hours at a time before going in for maintenance.

This is not the first time that Tim Clark has put pressure on Airbus and Rolls-Royce over the A350. **In 2014, Emirates cancelled an order for 70 A350s, judging the performance of Rolls-Royce engines to be insufficient.**

The British engine-maker had to go back to the drawing board, until it came up with an improved version of the Trent XWB-84 for the A350-900, which apparently satisfied Emirates, while developing a specific version - the Trent XWB 97 - for the A350-1000. But although the latter has already won 226 orders, compared with 791 for the A350-900, including 42 from Qatar Airways and 20 from Etihad, it still does not satisfy Emirates.

In addition to the question of maintenance costs, the Dubai-based airline has never hidden the fact that it would like a more powerful version of the A350, capable of carrying more passengers and freight than the 480 passengers on the current two-class version. This is before it has an alternative to the future Boeing 777-10 to replace its 519- to 650-seat A380s. But Airbus has always ruled out the idea of an A350-1100 larger than the current A350-1000, while Boeing has so far struggled to sell its 777Xs.

***My comment:** The geographical positioning of their hubs and the absence of a domestic market force Gulf airlines to use mainly twin-aisle aircraft of the largest possible size.*

This is not the case for European and US airlines, which feed their hubs with single-aisle aircraft.

End of press review

> **Air France-KLM share price trend**

Air France-KLM shares closed at **12.402 euros** on Monday November 20. It is **up** this week by **+2.01%**.

In three weeks, the Air France-KLM share price has risen by over 13%.

It was 12.53 euros on January 2, 2023, and 17.77 euros on June 19, 2023.

The analysts' 12-month average (consensus) for AF-KLM shares is 18.16 euros (it was 15.0 euros at the beginning of January). The highest price target is 23.00 euros, the lowest 11.0 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.

No comment

> **Fuel price trends this** week

The price of a barrel of Jet Fuel in Europe is down +\$3 to \$116. It was \$94 at the end of June, and \$79 before the outbreak of war in Ukraine.

Brent crude oil (North Sea) is down \$1 to \$81.

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.

***My comment:** The spread between Jet Fuel in Europe and Brent crude has risen this week, from \$29 to \$35 a barrel.*

It was around \$15 before the conflict in Ukraine. In 2022, at the start of the Ukrainian conflict, the spread was close to \$50.

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.*

Please note: After 5 years of inactivity, Natixis Interépargne will send a letter/email to those concerned asking them to log in to their account or to call Natixis Interépargne in order to reactivate their PEE account.

After 10 years of inactivity, your account is transferred to the Caisse des Dépôts et Consignations.

To unblock your PEE, click [here](#).

> **FCPE management**

When you invest in one of Air France's FCPE funds, you obtain 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 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](#).*

> **Air France-KLM, the employee shareholding operation draws to a close**

Air France-KLM has launched 'Partners for the future', an employee shareholding operation offered to around 75,000 eligible employees in 20 countries, to strengthen the bond between the Group and its employees.

Around 95% of the airline's workforce is eligible to participate. The proposed shares will be issued as part of a capital increase, covering a maximum of 3% of Air France-KLM's share capital.

The subscription price has been set at 8.06 euros. The subscription period closes this week, on Friday November 24, and the capital increase will take place on December 21, 2023.

My comment: *Employees of the Air France-KLM group in some twenty countries are eligible.*

In France, retirees and early retirees still holding assets in the PEE/PEG on the last day of the subscription period can subscribe, but do not benefit from the matching contribution.

Whether you are retired or still working, the subscription procedure is identical.

You can find all the information you need on the [dedicated website](#).

My comments: *If you wish to participate in the operation, the key point is the lock-in period: 5 years.*

The first rule is to invest only money you won't need in the next 5 years.

The second rule is to accept a possible loss.

And don't forget that advisors don't pay.

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](#).

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| François Robardet

former Director of Air France-KLM.

You can find me on my twitter account [@FrRobardet](#)

At the time of our election, Nicolas and I received the support of the CFDT and the UNPNC.

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

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