

Air Corsica and Air France save their subsidized Paris-Orly service



I Letter from François Robardet

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

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

former Director Air France-KLM

Representative of current and former employee shareholders of PS and PNC

N°950, February 5, 2024

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

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.](#) 

Editorial

Dear readers,

In my [newsletter #948](#), I wrote about the Rise engine developed by Safran:

"While some single-aisle aircraft use engines without fairings, such as the ATR72-500, no special measures are taken to protect the fuselage.

This will not be the case for the Rise. The fairings will therefore have to be reinforced to guard against the impact of a blade following breakage. "

You pointed out
to me that the ATR72-500 was covered by protective measures for its fuselage.

This is (fortunately) the case. *Mea culpa.*

I stand corrected. According to my information, in the case of the Rise, additional standards will be laid down to protect against the highly unlikely event of one of the propeller blades breaking.



Enjoy your reading
François

Monday's Press Review

> Air Corsica and Air France save their subsidized Paris-Orly service

(source Les Echos) February 1, 2024 - Nothing is set to change in Corsican skies. **Despite the fuss caused by Volotea's bid** - a first for a low-cost carrier in Corsica - the **public services delegation commission, responsible for examining the bids, has finally given a favorable opinion on the renewal of the Air Corsica-Air France tandem on the subsidized Paris-Orly service, for the period from 2024 to the end of 2027.**

The commission's choice still has to be ratified by the Executive Council and the Corsican Assembly. Nevertheless, the outcome of the vote, scheduled for February 29, is not in doubt, as the entire Corsican political class and local trade unions have already taken a clear stand in favor of renewing the public service delegation (DSP) to Air Corsica and its Paris-based partner Air France.

This is a double defeat for Volotea, which had already been excluded from the Bastia/Marseille and Ajaccio/Marseille routes, which were reallocated to Air Corsica in December. The Catalan low-cost carrier, which operates up to 29 routes between Corsica and the mainland during the summer without a penny of public money, will therefore have to stay away from the main routes departing from the Isle of Beauty, while Air Corsica and Air France can continue to share the 187 million euros in subsidies, supposed to offset the obligations of the specifications for the ten

PSO routes.

When contacted, **Volotea did not wish to react at this stage, preferring to wait for the parliamentary vote.** In particular, the Catalan company will have to say whether it intends to lodge a complaint against the outcome of the call for tenders with the European Commission. It would have some good arguments for doing so, given that the **amount of financial "compensation" requested by Volotea for service to Orly and two of the four "on-board" routes, was lower than the sums claimed by Air Corsica.**

Volotea also undertook to significantly increase its seat capacity, and to offer prices lower than the current resident fare, set at 215 euros roundtrip for Paris-Orly and 111.6 euros for Marseille. The company was even considering opening a permanent base in Corsica, with staff and aircraft based there, within the next three years. **But other, more subjective criteria, such as "quality of service" and the company's "financial strength", ultimately prevailed to justify Air Corsica's choice.** And even if the subject was not explicitly included in the tender criteria, the preservation of Air Corsica's 730 jobs and the 250 positions at the Air France stopover in Corsica were also decisive.

Without these subsidized routes, Air Corsica's very existence seemed in jeopardy. This risk was all the more unacceptable for the Corsican regional authorities, given that they are the main shareholder of Air Corsica, considered by the autonomist majority to be the pro-national airline.

However, opting for continuity with Air Corsica will not solve all the problems. Apart from the fact that the Collectivité territoriale is both judge and jury in this choice, the justification for subsidizing the Orly service remains economically questionable. More than 80% of traffic between Orly and Corsica is carried out without a cent of public money, with unsubsidized passengers. The situation is different for services to Marseille and Nice, which are heavily used by residents of the island who have to seek treatment in hospitals on the mainland.

Moreover, **the annual budget of 187 million euros no longer covers the cost of these services. As a result, the French government has had to grant regular financial extensions, of 33 million euros in 2022 and 40 million in 2023.** And this at a time when the majority of the island's residents already consider air fares to be too high. In fact, one of the first measures taken by elected autonomists after their election victory was to lower these regulated fares.

My comment: Please note that the figures given in the article are inaccurate.

187 million euros is the total amount allocated by the State to territorial continuity between Corsica and the mainland for both sea and air transport.

The Corsican Transport Office only has a budget of 80.4 million euros a year to compensate for the public service obligations for the DSP dedicated to air links

between Corsica and the mainland.

As a reminder, the DSP (Délégation de Service Public) is made up of two lots: routes between Corsica and Marseille/Nice, and routes between Corsica and Orly.

Nearly four out of five passengers to Marseille or Nice are island residents, but less than one out of five passengers on routes to Paris is a Corsican resident.

On routes between Corsica and Marseilles/Nice, Air Corsica and Volotea were competing with similar financial packages, which made it easy to decide to keep Air Corsica on these routes.

On routes between Corsica and Paris, the low-cost carrier Volotea's bid included financial compensation of around €50 million, compared with €96 million for Air Corsica-Air France.

This significant difference puts decision-makers at odds.

Indeed, if the lowest bidder is rejected, this could result in an appeal to French and European institutions, with heavy fines and the cancellation of awards in the event of irregularity.

The Collectivité de Corse has already experienced this with its maritime links.

In September 2021, the Conseil d'Etat ordered it to pay 86.3 million euros to Corsica Ferries, in compensation for "illegal subsidies" to SNCM between 2013 and 2017, after the European Commission had also ordered SNCM to repay 220 million euros in undue aid between 2007 and 2012.

These condemnations accelerated SNCM's bankruptcy.

If the Corsican Assembly ratifies the choice of Air Corsica at the end of the month, Volotea will be liable to appeal to the courts.

It remains to be seen whether Volotea will be prepared to jeopardize the future of the thousand or so employees (and their families) currently working for Air Corsica and Air France in Corsica.

> China's major airlines gear up for fourth consecutive year of losses

(source Financial Times, translated with DeepL) January 31, 2024 - **China's three major airlines are set to extend their losing streak for a fourth consecutive**

year, with analysts warning that the country's uncertain economic growth and reduced direct flights to the US are weighing on demand for international travel. According to their preliminary results, **the combined net losses of the three carriers, estimated at Rmb14.3 billion (\$2 billion)**, are well below the combined loss of Rmb108.7 billion (\$15 billion) in 2022.

But **Chinese airlines are struggling in comparison with American and European airlines**, which are posting rising profits thanks to higher air fares.

A year after China lifted its restrictions on Covid-19 control, China Eastern Airlines said on Tuesday evening that it expected to post a net loss of Rmb8.3 billion (\$1.2 billion) for the year ending December. Last week, Air China forecast a net loss of 1.3 billion rmb (\$170 million) for 2023, while China Southern Airlines said it expected to lose up to 4.7 billion rmb (\$700 million) over the same period.

Weak demand from business travelers and China's restrictive visa policies have hampered the post-pandemic rebound, China Eastern said in a trading statement late Tuesday. "International routes have recovered more slowly than expected," the airline said.

Carriers are struggling to resume direct flights to the US at a time of rising tensions between Beijing and Washington. **While the number of international flights climbed back to around 70% of 2019 levels as of this month, flights to the US remained at just 18%**, HSBC analysts said. Airlines have been unprofitable since the start of the pandemic, when Beijing introduced some of the world's most restrictive travel and quarantine rules. Shares in the three major Hong Kong-listed airlines have fallen by between 37% and 45% over the past year, while the benchmark Hang Seng index has lost almost 29%.

(...)

Economic challenges in China "which may affect consumer sentiment and reduce travel spending" will continue to fuel uncertainty in the recovery of international flights, said Jason Sum, equity research analyst at DBS.

Domestic air traffic has fallen from its summer peak, while international travel is still two-thirds of pre-pandemic levels.



Above, the number of passengers carried by Chinese airlines each month (in millions)

Source: Civil Aviation Administration of China

(...)

This month, China announced new visa exemption agreements with Singapore and Thailand. Last year, Beijing introduced visa-free policies for a number of countries, including Germany, Italy and Spain.

The International Air Transport Association, which represents the industry, said it expected overall passenger traffic in China this year to return to 2019 levels.

***My comment:** The drastic measures taken by China to contain the COVID-19 pandemic brought international travel to and from China to a halt for three years.*

The ban on overflying Russia since the start of the conflict in Ukraine is limiting the resumption of activity, to the great displeasure of airlines (Chinese and European) and players in the European tourism sector.

On this subject, read the article "Air France at the center of a tug-of-war between Paris and Beijing" in my newsletter n°910.

> Qatar Airways in Madagascar could transform Indian Ocean connectivity

(source Voyages d'affaires) January 31, 2024 - **Qatar Airways this week received the green light from its supervisory authorities to launch daily flights to the Indian Ocean island of Madagascar.** This will be the first - and only - flight from Africa's largest island to the Middle East. And beyond to Asia and Europe, thanks to the Qatari airline's network of connections in Doha.

(...)

The arrival of the Qatari airline will benefit business and leisure tourism in Madagascar. The country's ambition is to welcome one million international visitors annually within 5 years. The Malagasy government has also indicated that it is negotiating traffic rights with other carriers. Including several from the Middle East.

The imminent arrival of Qatar Airways will, however, reshuffle the cards when it comes to air connectivity on the island, and indeed in the region. For the moment, apart from Air Mauritius and Air Austral, the international air network in this part of the Indian Ocean remains limited.

The biggest competitor to Qatar Airways is Air France, which operates six weekly non-stop flights from Paris CDG to Antananarivo using Airbus A350-900s. Alternatives to reach Madagascar are via Saint-Denis de la Réunion (5 flights/week) with Air Austral, Addis Ababa with Ethiopian Airlines (one daily flight), Nairobi with Kenya Airways (two daily flights) and Port Louis with Air Mauritius (5 flights/week). There are also two weekly Corsair flights with stopovers to Orly and

Turkish Airlines to Istanbul.

The Qatar Airways flight could also attract passengers from Réunion, given the airline's extensive network in Doha. Particularly to Asia. For the time being, La Réunion has just one route to the Asian continent, namely Bangkok, operated by Air Austral. Last year, the Réunion-based carrier had to suspend its service to Madras. This decision was taken following the withdrawal of traffic rights by the Indian (...)

***My comment:** Madagascar Airlines has suspended all its international flights to concentrate on its domestic routes as part of its turnaround strategy. It does not plan to resume its intercontinental routes before 2027.*

The arrival of Qatar Airways will enable Madagascar to continue attracting tourists from Asia.

> **Singapore Airlines bets big on India**

(source Forbes) February 2, 2024 - Goh Choon Phong, CEO of Singapore Airlines, has a lot to brag about: record profits, nearly full aircraft, the coveted award for the world's best airline. However, the subject that really excites 60-year-old Goh Choon Phong is India. "You can see the potential of this country," he enthuses in an exclusive interview conducted at the end of November at the SIA Training Centre, near Changi Airport. **For Singapore Airlines (SIA), India's potential is much more than a means of filling a few seats. Goh Choon Phong plans to turn it into a hub**, a second home for the airline, **with almost unlimited room for growth**. At the end of 2022, **SIA entered into a landmark agreement to bring this project to fruition, taking a 25.1% stake in Air India, which is due to be finalized in March this year.**

Of course, SIA is inextricably linked with Singapore. It is the city-state's phenomenally successful national airline. Its well-groomed stewardesses are world-famous Singapore icons. However, **during the pandemic, all the vulnerabilities of a small country of 5.6 million people were put to the test.** "

We were hit very hard by the pandemic; we had no domestic market," explains Goh Choon Phong. At its lowest point, in April and May 2020, SIA carried fewer than 11,000 passengers a month, compared with 3.4 million in January of the same year, i.e. 3% of its pre-pandemic capacity. "It was catastrophic," recalls the CEO of Singapore Airlines.

This vulnerability has existed from the outset, despite SIA's efforts to try and build air hubs in the region. In China, the company offered to acquire a stake in China Eastern Airlines in 2007, but the state-owned airline's shareholders rejected the deal. In Thailand, a joint venture between SIA's low-cost carrier Scoot and Nok

Air collapsed during the pandemic. "We looked for ways to participate directly in the growth of the Indian market," explains Goh Choon Phong.

This agreement with Air India is the culmination of a long series of negotiations. For decades, Air India has lagged behind its Asian counterparts. Its privatization at the beginning of 2022 enabled the Tata group to take over the reins of the company. Previously, however, SIA and Tata Sons had been piloting an airline in India, Vistara, since 2015.

In late 2022, SIA and Tata announced an agreement to merge Vistara with Air India, forming an enlarged Air India Group in which SIA will hold a one-quarter minority stake and Tata Sons the remainder. Once the merger is completed in March, **Air India will be the country's second-largest airline (with a market share of around 23%),** according to Statista, after low-cost carrier IndiGo, which holds a 55% share.

India is a safe bet for SIA. It is Asia's last major market, largely untapped, with China largely closed to foreigners and Indonesia relatively mature (dominated by major players such as Lion and Garuda). No other aviation market in Asia, and few in the world, offers the same potential. **"India is growing fast, but the country is very poorly served,"** explains Goh Choon Phong. "That's really India's strength. The aviation market is by no means mature." By 2023, more than 327 million Indian passengers would have taken domestic and international flights, up 73% on the previous year, according to Statista. As the **Indian economy grows, so does air travel, and SIA is now in a position to capture a significant share of this market.** Singapore is already a traditional hub for Indian travellers to many international destinations.

(...)

My comment: *In 2021, the Indian government took stock of its plan (launched in 2016) to create 100 new airports and 1,000 new air routes by 2025.*

363 new routes had been opened, 59 airports had already been built.

The work continued. In 2023, India announced that it would spend a further \$12 billion to increase the number of airports from 148 to 220 by 2025.

Also in 2023, Indian airlines (Indigo and Air India) ordered 1,500 aircraft.

On this occasion, Air India's Managing Director declared: "India is a vast country, with a large, highly mobile population, for whom air travel is sometimes the only means of getting around, as well as a large diaspora throughout the world. All this generates a strong desire for air travel. Until now, the absence of a powerful Indian airline on the international market has limited Indian choice. This is now changing."

Like Singapore Airlines, other airlines are positioning themselves in this growing market.

Air France-KLM, for example, has signed a codeshare agreement for 2022 with Indigo, the airline now headed by former KLM CEO Pieter Elbers.

Eventually, the situation in India could be similar to that in China, with three Indian airlines each entering into cooperation agreements with one European and one US airline.

> **Airbus prepares for the arrival of hydrogen-powered aircraft in Sweden and Norway**

(source Hydrogentoday) February 3, 2024 - European aircraft manufacturer **Airbus has signed a memorandum of understanding with several partners** (Avinor, SAS, Swedavia and Vattenfall). **The aim is to deploy the aircraft refueling infrastructure at airports in Sweden and Norway.**

Northern Europe is well on its way in the race for hydrogen-powered aircraft. We recently told you about the BSR Hyairport project covering the Baltic Sea, with airports in several European countries (Germany, Poland, Latvia, Lithuania, Estonia, Sweden and Finland). But this is a project involving Airbus, and two countries at once. **No fewer than 50 airports are involved!** "Norway and Sweden are among the most demanding regions in terms of aviation, and have great potential for producing hydrogen from renewable energy sources," points out Guillaume Faury, head of the aerospace group. And this partnership "fits perfectly with our strategy of deploying hydrogen-powered aviation ecosystems in the most suitable regions of the world".

The coalition is apt. Swedavia, Avinor (owner of 43 airports in Norway) and SAS (Scandinavian Airlines) have already established fruitful collaborations in the field of fossil-free aviation. These Nordic players are delighted by the arrival of Vattenfall, an energy producer committed to renewable energies, and above all Airbus, which is preparing the hydrogen-powered aircraft of 2035.

Through its "Hydrogen Hub at Airports" program, **Airbus has signed agreements with partners and airports in ten countries, including France, Germany, Italy, Japan, New Zealand, Norway, Singapore, South Korea, Sweden and the UK.**

My comment: *Be careful, the title of the article is misleading. For the moment, the memorandum of understanding in question essentially concerns the deployment of a filling infrastructure for aircraft, not the provision of hydrogen-powered aircraft...*

Scandinavia is an ideal region to launch such a project. The countries that make it up are dependent on regional aviation to ensure territorial continuity.

The hydrogen-powered turboprop aircraft being developed by Airbus would be ideally suited to the task.

It remains to be seen whether Airbus will succeed in developing this type of aircraft. In the event of failure, the investment would not be in vain, as it would enable airports to operate on green hydrogen, a decarbonized energy source.

> **Will airfares continue to rise?**

(source RTL) February 4, 2024 - Has air travel become a luxury product with inflation? Augustin Romanet is reassuring. In Focus Dimanche, on RTL, **the Chairman and CEO of the ADP Group believes that prices will not continue to rise "insofar as they have already risen enormously". That is, between "30 and 40%" since the pre-Covid period.**

At the end of the global pandemic, "**airlines** had very few offers and charged very high prices", in the face of (very) high demand. However, these companies "**realized that demand was relatively inelastic**". In short, "**it wasn't because prices were going up that demand was going down.**"

Augustin Romanet also returns to a criticism "often made": "air travel is not expensive enough compared with rail travel." He explains that planes, intrinsically, "don't require a lot of infrastructure. You need a runway at departure, and one at arrival. And a plane doesn't cost that much."

My comment: *This is the first time I've heard an air transport player make this observation: "it's not because prices are going up that demand is going down".*

This is a stone thrown into the garden of the airlines, who keep saying that the introduction of new taxes or the high price of sustainable aviation fuels would destabilize them!

If confirmed, this is good news for European airlines. In the short term, it will enable them to generate profits to pay off the debts they incurred during the COVID-19 pandemic.

In the long term, however, it's not certain that this situation will last. It will all depend on customers' willingness (or lack of it) to cut down on their travel to protect the planet.

End of press review

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

Air France-KLM shares closed at 11.936 euros on Friday February 2. It is down

this week by -1.36%.

Since the beginning of the year, the Air France-KLM share price has lost 12%.

It was 12.53 euros on January 2, 2023, 17.77 euros on June 19, 2023, 13.68 euros on January 1, 2024.

The analysts' 12-month average (consensus) for AF-KLM shares is 17.48 euros (it was 15.0 euros at the beginning of January 2023). The highest price target is 23.00 euros, the lowest 9.50 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 further comments

> Fuel price trends this week

The price of a barrel of Jet Fuel in Europe is down this week to \$111. It was \$94 at the end of June, and \$79 before the outbreak of war in Ukraine.

Brent crude oil (North Sea) is down \$6 to \$77 a barrel.

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

It is up +\$2 this week, to \$34.

From February to July 2023, the spread had returned to reasonable levels (between \$12 and \$25). Since August 2023, the spread between Jet Fuel in Europe and a barrel of Brent crude oil has systematically exceeded \$30.

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](#).*

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**

When I was elected, I received the support of the CFDT and the UNPNC.

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

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

If you wish to change the address at which you receive this press review, please [send me your new email address](#)

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

11,533 people receive this live press review