

Air France-KLM appeals EU ruling against French coronavirus aid



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)

Employee and former employee representative

PS and PNC shareholders of Air France-KLM

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Monday's Press Review

> Air France to double SAF voluntary contributions for the 2024 Olympic and Paralympic Games

(source Air & Cosmos) March 13, 2024 - **Voluntary subscription to the "Environnement-carburants d'aviations durables" option** enables the purchase of sustainable aviation fuels (or SAF) by the French airline.

For all bookings for travel between July 18 and September 9, 2024 to mainland France or French Polynesia, for the period of the Olympic and Paralympic Games, **Air France has announced that it will exceptionally double the amount of each customer subscription** to the "Environnement-carburants d'aviation durables" option.

(...)

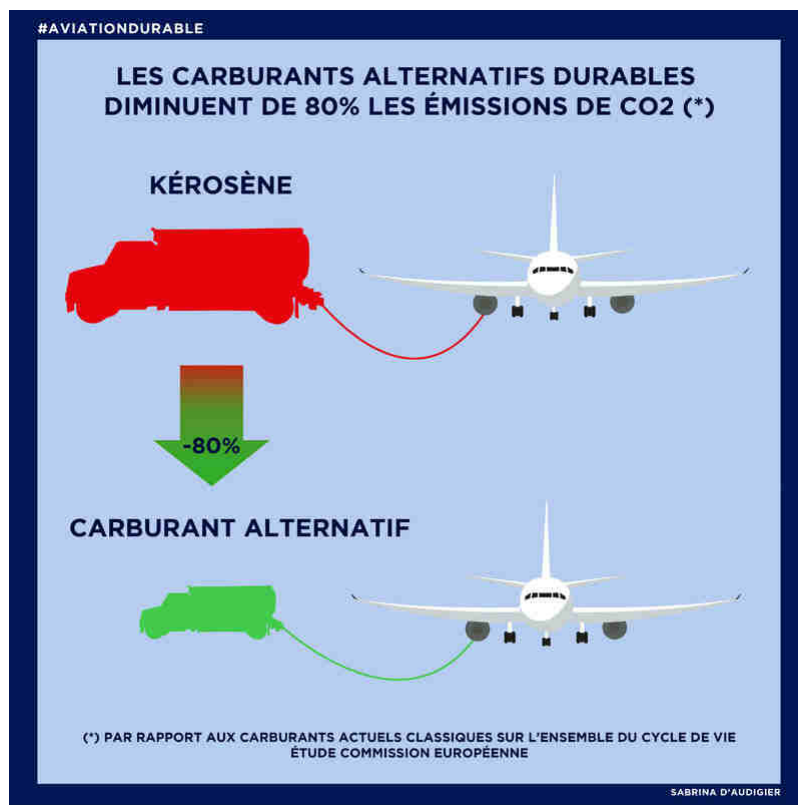
Since 2022, the "Environment-sustainable aviation fuels" option has been available when purchasing an Air France ticket on the airfrance.fr website, or via the Air France application. All funds raised are fully invested in the purchase of Sustainable Aviation Fuel (SAF). (...)

In 2023, and for the second year running, the **Air France-KLM group was the world's leading user of sustainable aviation fuels**. To reduce its environmental footprint as quickly as possible, Air France has developed an ambitious decarbonization trajectory, aiming for a 30% reduction in CO2 emissions per

passenger/kilometer by 2030, compared with 2019. Called "**Air France ACT**", this program is **based on several levers** such as fleet renewal, increased incorporation of sustainable aviation fuels, operational measures such as eco-piloting, and the development of intermodality.

My comment: Air France-KLM is currently positioning itself as one of the world leaders in the decarbonization of air transport, thanks in particular to its ambitious policy in terms of the use of sustainable aviation fuels (SAF).

As we emphasized during the project to create a national Sustainable Aviation Observatory, SAFs are one of the major levers for decarbonization:



The Air France-KLM Group's policy is in line with the national government's decarbonization policy; in particular with the Toulouse Declaration of February 2022, which agreed a - non-binding - objective of carbon neutrality for air transport by 2050.

Six months later, ICAO member states held their General Assembly in Montreal. They reached a global LTAG (Long Term Aspirational Goal) 2050 agreement, the objectives of which were in line with the Toulouse declaration. France was a driving force in the exchanges.

> **Air France-KLM appeals EU ruling against French coronavirus aid**

(source ANP, translated with DeepL) March 13, 2024 - **Air France-KLM is appealing a decision by the second highest court in the European Union against French state aid during the coronavirus crisis.** According to the European Union Tribunal, the European Commission had not done its job properly in approving financial aid to Air France in 2020 and 2021. The aviation group is now contesting this situation.

(...)

The concrete consequences of this decision for the airline are still unclear. **Air France-KLM has reimbursed all corona aid.**

The low-cost airline **Ryanair** has lodged a complaint against the state aid. The Irish company **believes that loans and credit guarantees granted by governments during the pandemic gave national airlines an unfair advantage.** Last month, the European Court of First Instance once again ruled in Ryanair's favor. The European Commission also erred in approving 3.4 billion euros of Dutch state aid to KLM, the judge ruled.

***My comment:** With this ruling, Ryanair has obtained recognition that the case had not been dealt with in sufficient depth by the European Commission.*

The judge criticizes the European Commission for not having sufficiently ensured that the aid granted to Air France did not benefit other entities in the Air France-KLM group.

Neither Air France nor KLM are directly implicated by the ruling.

This calls for two comments:

1 - First of all, we must remember the urgent and unprecedented nature of the COVID-19 crisis, which was devastating for the airline industry.

2 - Ryanair is trying to create a smokescreen to conceal the fact that the Irish airline has been convicted on several occasions of receiving illegal subsidies from French local authorities. The latest convictions concern subsidies received in La Rochelle and Montpellier.

> **737 MAX: Boeing threatened by potentially devastating criminal investigation**

(source Les Echos) March 11, 2024 - **One more investigation against Boeing**, but one **that could have the most far-reaching consequences.** Following the NTSB's technical investigation into the in-flight loss of a door panel on an Alaska Airlines 737 Max, the FAA's on the same subject, and the expert report commissioned by Washington congressmen, the US Department of Justice (DoJ) has confirmed the

opening of a criminal investigation against the aircraft manufacturer.

This investigation also concerns the event that occurred on board the Alaska Airlines 737 Max on January 5. However, unlike those of the NTSB and the FAA, its aim is not to clarify the causes of the door panel ripping off, but to verify that this accident does not call into question the agreement reached in 2021 between Boeing and the "DoJ" to settle the accounts of the two crashes of 2018 and 2019. At the time, **Boeing agreed to pay \$2.5 billion in fines and compensation** under the U.S. "guilty plea" procedure, in order to put an end to the legal proceedings.

The group was thus able to avoid a trial concerning the malpractices committed during the 737 Max certification process, which would have lasted for years.

(...)

At the time,

the Group was in the throes of a health crisis, and in the worst shape of its life. This may explain the leniency shown at the time. However, the 2021 agreement, which scandalized the families of the victims, was **conditional on Boeing's compliance with its commitment to complete transparency vis-à-vis the FAA in its safety control procedures**. However, this commitment has not enabled the aircraft manufacturer to avoid a recurrence of defects since 2021 and the spectacular event aboard the Alaska Airlines Boeing.

Hence this investigation by the Department of Justice, to verify that the aircraft manufacturer has complied with its safety monitoring commitments. This is by no means obvious, given that the technical investigation has already brought to light a serious oversight - the absence of fastening bolts after the door panel was reassembled at Boeing's Renton plant - and that the aircraft manufacturer itself has admitted that it was unable to provide the documents relating to this intervention.

If the investigation were to rule in the negative, Boeing could be in big trouble. **The American justice system could cancel the 2021 agreement**, which allowed the group to escape criminal prosecution for the 2018 and 2019 crashes. **With consequences that are hard to imagine for the aircraft manufacturer and its executives.**

***My comment:** The title of the article speaks for itself: this new case concerning the B737 MAX could be the most problematic for the aircraft manufacturer.*

Boeing was able to escape the trial surrounding the controversial certification of the Max version of its B737 and the two crashes at Lion Air and Ethiopian Airlines, which claimed 346 victims.

Boeing paid a fine of \$2.5 billion. Conditions included a safety upgrade and full transparency.

The new case of the ripped-off door on the Alaska Airlines flight has the US

Department of Justice questioning whether these conditions have been respected.

A court decision "reversing the cancellation" of the trial would be catastrophic for Boeing, both financially and in terms of reputation.

> **The aeronautics industry faces the challenge of upgrading the skills of new recruits**

(source La Tribune) March 12, 2024 - They were hairdressers, butchers or assembly line workers in the agri-food sector, and in just a few months have been propelled into the aeronautics industry to take part in the major increase in production rates being driven by Airbus.

After setting an all-time record for aircraft orders in 2023 and a global backlog of 8,000 aircraft, equivalent to eleven years of production, **the European aircraft manufacturer needs to increase its production rates considerably**. The group is aiming for production levels never before seen in the aeronautics industry with the A320 program, with a target of 75 aircraft per month by 2026.

To achieve this, **the aeronautics industry, which has already achieved a Dantesque target of 25,000 new hires in 2023, is again forecasting between 20,000 and 25,000 new hires in France in 2024**, according to Gifas. For its part, Airbus had announced in early 2023 a plan to recruit 13,000 people worldwide, including 7,000 net new jobs. In the end, however, the Group exceeded its forecasts, creating 13,000 net new jobs last year.

"For 2024, we should recruit half of what we did last year, based on conservative estimates", said Guillaume Faury, the group's CEO, in mid-February when presenting the annual results.

(...)

To expand its workforce, the **Group has to broaden its traditional pool of candidates**, and no longer hesitates to call on profiles who have never worked in the aeronautics industry. Provided, of course, that they pass the skills tests presented by the Group. After around six months' training (including four months of theory and two months on the job), leading to the award **of a certificate of qualification paritaire de la métallurgie (CQPM)**, the new recruits are ready to join the ranks of the manufacturer. Last year, 900 people were trained at Airbus Operations in Toulouse. **Skills upgrading is a real challenge**," adds Jean-Luc Rouy. At the end of their training, these new recruits will continue their apprenticeship by being accompanied on their workstations with the support of their tutor. A person with very little experience of our business will inevitably take a little longer to obtain all the qualifications issued by our quality departments. The challenge is to ensure that they acquire both technical skills and an aeronautical culture.

This rise in skills is also a major concern for the aircraft manufacturer's imposing chain of suppliers.

(...)

To achieve the levels of excellence expected by the aeronautics industry, Mecachrome, which manufactures aeronautical parts for Airbus and Safran, does not hesitate to provide refresher courses if new recruits fail to meet the requirements once they have obtained their certificate.

(...)

Mecachrome is not overly concerned about maintaining this production quality.

(...)

Over and above their technical skills, **these new recruits must acquire the industry's safety standards.**

(...) At a

time when Airbus' main rival has been racking up a series of disappointments over the past few months (the preliminary investigation report by the Transportation Safety Board (NTSB) revealed, for example, that bolts were missing to secure the door of the 737 MAX that broke loose in mid-flight last January), Guillaume Faury insisted at the Group's results conference that "**the quantity of aircraft to be delivered cannot be achieved at the expense of quality**, because Airbus' role is to deliver a safe mode of transport". The boss of the European aircraft manufacturer added that "it's not enough to teach the job, we also have to teach the way we do business within Airbus, but also our corporate culture."

(...)

My comment: It's a challenge for Airbus and its subcontractors to keep up with production rates that are rarely, if ever, matched in a context of skills shortages.

Particularly as Airbus plans to train people who have never worked in the aeronautics industry for jobs where safety is a major issue.

What's more, these skills are also in short supply at airline companies, in maintenance for example.

> **Aeronautics: China, the new Eldorado for pilot training**

(source Le Monde) March 12, 2024 - **The International Air Transport Association has estimated that the world's airlines will need 600,000 pilots by 2042.** A figure corroborated by the latest Airbus forecasts, published in the summer of 2023: **the world fleet will double in the space of two decades**, to 46,560 aircraft.

This represents a godsend for France's Simaero. On Tuesday March 12, the airline training specialist (...) was due to inaugurate its first center near Changsha-Huanghua international airport, in Hunan, a province in southern China. Investment: over 70 million euros. "**Until now, the number-one market has been the United States, but China will overtake it over the next twenty years,**" predicts Nicolas Mouté, CEO of the company, which generates sales of around 30 million euros. Air traffic "will triple [in the country]", he estimates. To keep pace with this growth, the industry will need 140,000 additional airline pilots.

Worldwide, the pilot training market is estimated at over 5 billion euros. It's an expensive business. According to Air France, **"ab initio" training for a cadet costs the company almost 100,000 euros**. In addition to obtaining a pilot's license, cadets must also learn to fly each aircraft. **This qualification costs "an average of 20,000 euros"**, explains Mr. Mouté, and "has to be renewed every time we change aircraft type".

(...).

Pilots are also required by law to take "sixteen hours of simulator training every year", says Simaero's

CEO. This costs 10,000 euros per crew. (...) Only 90 of the world's 1,600 airlines have their own simulator training center.

In Hunan, Simaero installs machines for the A320, the best-selling medium-haul aircraft, with a 70% market share. (...) "China's big challenge will be to sell the C919 abroad", he warns, before explaining that he is already in discussions "to eventually have simulators for the C919 outside China".

My comment: The courses and costs involved in obtaining an airline transport pilot license (ATPL) and type rating (aircraft - QT) vary.

Airlines face a number of challenges:

- attracting pilots, with or without ATPL & QT, against a backdrop of job market tensions that have intensified since COVID-19

- control the costs of ab-initio training and skills maintenance for an ever-growing population.

In view of their growth forecasts, China and India will need to train large numbers of pilots.

> Beauvais airport's new operator soon to be announced, "the worst is yet to come!"

(source Actu) March 14, 2024 - **"This madness must be stopped"**, "an aeromortuary zone". Local residents once again voiced their anger at the **planned expansion of Beauvais airport** (Oise). On Wednesday March 13, 2024, around 150 people gathered in front of the Prefecture to once again call for a cap on flights. The timing was not chosen at random by the organizing associations (ADERA, Sauvez le Beauvaisis, ACNAT). In a **few weeks' time, the new operator of Beauvais airport should be officially unveiled**, with the aim of developing business at the Tillé site over the next 30 years. To date, only two candidates remain in the race for France's 10th largest airport: a consortium led by Bouygues, and another comprising the Oise Chamber of Commerce and Industry and Transdev. Vinci Airports and the Italian group Save have reportedly

thrown in the towel. It will be up to the owner, SMABT (Syndicat mixte de l'aéroport de Beauvais-Tillé), to decide

(...)

The main reason for the gnashing of teeth among those opposed to the expansion is the plan to double air traffic, and the possibility of 8 million passengers a year passing through Beauvais (compared with around 4 million at present). But also the creation of a taxiway. "The airport is already big enough for our region," she continues.

At the same time, some associations are also fighting for a cap at Roissy airport. "If they get it, **the only uncapped airport in Paris will be Beauvais**," cries Dominique Lazarski, president of ADERA. "It's the worst thing that's happening today! We won't be able to put up with such noise and air pollution.

Several elected representatives supported the demonstration organized on Wednesday. Among them was regional councillor Gilles Mettai (Les Ecologistes). "The reality is that there's never a tourist in Beauvais. If traffic doubles, we'll have twice as many nuisances, but no more tourists," he claims. **"Beauvais airport is becoming a reliever airport for Greater Paris.**

(...)

A noise pollution plan and impact study will be carried out this year. "We want real solutions and the capping of the airport to be studied", proclaims the president of ADERA. "We are addressing elected representatives, the Prefect of Oise and ministers, who are responsible for protecting the population.

My comment: Beauvais, a town of 60,000 inhabitants, is over 80km from Paris. According to the information on the airport's website, "TRAVEL TIME: from 1h15, depending on road traffic conditions".

Its airport is capable of handling 5 million passengers a year, a figure it should reach by 2024. By comparison, Orly handles 31 million passengers.

Several questions arise:

- The most optimistic forecasts in Europe predict a 70% increase in traffic by 2050. Is it reasonable to expect business at Beauvais to double?

- What about the impact on local residents and the climate?

Stock market press review

> Air France-KLM: price target lowered by Oddo BHF

(source Cercle Finance) March 11, 2024 - **Oddo BHF reiterates its 'underperform' rating on Air France-KLM with a price target lowered from 11.5 to 10.5 euros, considering that while demand remains solid, unit costs will still be under pressure in 2024.**

According to the analyst, 'progress is tangible, but the benefit of initiatives will be concentrated at the end of the period, and short-term cash pressure is significant (adjusted FCF of -1.3 billion euros in 2024, -0.8 billion in 2025 and -0.3 billion in 2026)'.
(...)

***My comment:** Oddo's comments are often judicious.*

End of press review

> Air France-KLM share price trend

Air France-KLM shares closed at **9.63 euros** on Friday March 15. It is **down slightly this week by -0.89%**.

Since the beginning of the year, following the announcement of mixed results for the fourth quarter of 2023, the Air France-KLM share price has lost 30%.

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 16.15 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.

***My comment:** Air France-KLM's share price fell again this week.*

For most investors, the announcement of weaker-than-expected fourth-quarter 2023 results overshadowed the good full-year results.

> Fuel price trends this week

The price of a barrel of Jet Fuel in Europe is up +\$5 to \$110. It was \$94 at the end of June, and \$79 before the outbreak of war in Ukraine.

Brent crude oil (North Sea) is up +\$3 to \$85 per 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, this differential was close to \$50.*

The Jet Fuel spread in Europe and Brent crude oil per barrel is up this week, to \$25. This is the third week that the spread has been back at or below \$25.

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 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'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](#).

Details

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

You can react to this press review or send me any information or thoughts that will help me to keep you better informed.

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

See you soon.

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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

Representative of PS and PNC employees and former employees who are Air France-KLM shareholders.

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.

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