

Air France and KLM inaugurate a new Air&Rail terminal at Brussels-Midi



## 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

N°958, April 1, 2024

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## Editorial

*Dear readers,*

*Air France employees have received a letter announcing that they will receive a profit-sharing bonus in April.*

*I detail some of the terms and conditions at the end of this letter, under the heading "Bon à savoir, spécial Prime de Participation 2023". You must reply before April 17, 2024.*

**For your information**, *the profit-sharing bonus is calculated on the basis of the company's profits.*

*It therefore varies from year to year. It is compulsory for companies with 50 or more employees.*

*A calculation formula set out in the French Labor Code is used to determine the amount of profit to be distributed to employees, known as the "réserve spéciale de participation" (RSP), as part of their profit-sharing scheme.*

*Amounts paid into the special profit-sharing reserve are distributed, after*

*negotiations with representative trade unions, among all company employees according to one of the following distribution criteria:*

- . either uniformly among all employees,*
  - . or in proportion to salaries,*
- . or in proportion to time spent with the company,*
- . or by a combination of the above three criteria.*

*Enjoy your reading.*

*François*

## **Monday's Press Review**

### **> Air France and KLM inaugurate a new Air&Rail terminal at Brussels-Midi**

(source Les Echos) March 27, 2024 - **Air France and KLM today inaugurated their new Air&Rail Terminal in the Belgian capital.** The lounge, located at Brussels-Midi station, has been completely renovated and offers new spaces in an elegant atmosphere. **This investment reflects both airlines' commitment to improving the experience of passengers using the train to reach the Paris-Charles de Gaulle and Amsterdam Schiphol hubs.** (..)

**For over 20 years,** Air France and KLM have been offering their customers travelling to and from Belgium a service enabling them to combine rail and air travel in a single booking. Thanks to the Air&Rail offer, customers have a single reservation for their entire journey, and a guaranteed seat on the next available flight or train, at no extra cost, in the event of their flight or train being delayed. Dedicated teams assist customers at stations. **Members of Flying Blue, the Air France and KLM frequent flyer program, benefit from all the advantages associated with their status:** accumulation of Miles, priority access to check-in counters thanks to the SkyPriority service, access to the Eurostar lounge at Brussels-Midi station, additional baggage allowance and free access to seat options on board their flight. (...)

**My comment:** *Intermodality between rail and air is one of the levers of decarbonization.*

*It offers two advantages :*

*. on the one hand, transferring air travel to rail lowers the carbon footprint of the journey,*

. on the other, the slots freed up (here at Schiphol) will be allocated by KLM to more profitable routes.

A word of warning, however: some critics of air travel are lobbying to replace air links with rail links via LGVs (high-speed lines).

I invite you to (re)read my [letter n°914](#), in which I specified the construction costs of these HSLs: the construction of a 500 km HSL is equivalent to the cost of 250 airplanes.

And that's not counting the environmental costs of destroying the flora and fauna along the new line, or the social costs of job losses in the airline industry.

In France, Air France and SNCF offer a combined air and rail service from the provinces on 23 routes to CDG and 18 routes to Orly.

Air Caraïbes does the same on 18 routes to Orly.

## > **Lufthansa: Europe calls into question the takeover of ITA?**

(source TourMag) March 25, 2024 - It's a veritable saga unfolding in European skies, with its twists and turns and perhaps some backtracking.

**In May 2023, the Italian government approved Lufthansa's acquisition of a 41% stake in ITA Airways.**

(...)

Except that for almost a year now, the transaction has been subject to approval by the European Commission. And the Commission is dragging its feet, to such an extent that the German airline has threatened to abandon the takeover.

(...)

A new stage was reached on **Monday March 25, 2024, when the Commission published its objections to the transaction.**

(...)

**In the Commission's view, the takeover will effectively reduce competition on short-haul routes** between Italy and Central European countries. Indeed, the two airlines will be pitted against each other on both direct and indirect flights.

(...) And that's

not all, as competition would also be undermined on certain long-haul routes between Italy and the United States, Canada and Japan

(...).

**The ball is now in the court of Lufthansa and the Italian Ministry of Economy and Finance**, who will be able to respond and request a hearing.

They will be able to lodge an appeal until April 26, 2024.

**My comment:** Capital transactions between airlines in European skies are akin to a game of "Monopoly".

As with Iberia's takeover of Air Europa, the European Commission is closely examining Lufthansa's intention to acquire a stake in ITA Airways.

It is scrutinizing these operations to ensure that they do not penalize consumers.

According to ITA Chairman Antonio Turicchi, the date by which the European Commission must make a decision could be pushed back to the end of June, after the European elections.

It is likely that the European Commission will ask Lufthansa to free up slots at Milan-Linate airport.

Other airlines, such as Air France-KLM and easyJet, are already positioning themselves to reclaim these slots, as mentioned in my [previous letter no. 957](#).

### > TAP Air Portugal to post record profits in 2023

(source AFP) March 27, 2024 - **TAP Air Portugal posted a record profit of 177.3 million euros in 2023**, compared with 65.6 million in 2022, but plunged into the red in the fourth quarter, the state-owned airline announced on Wednesday.

In the fourth quarter, TAP posted a loss of 26.2 million euros, compared with a profit of 156.4 million euros for the same period last year.

(...)

For the year as a whole, this was the "highest net profit" recorded by TAP, whose "sales exceeded 4 billion euros for the first time", the carrier said in a statement.

**"The good results for 2023 confirm TAP's recovery"** and "its financial solidity", believes the airline group's CEO Luis Rodrigues, adding that for this year the objective is "to transform TAP into one of the most attractive airlines".

(...)

**At the end of September, the Socialist government announced the privatization of at least 51% of the capital of the national airline, which is attracting interest from its European competitors, Air France-KLM, Lufthansa and the IAG group (British Airways and Iberia).**

(...)

**My comment:** TAP's results in 2023 are like those of Air France KLM, between an annual record and a deteriorated last quarter.

They are likely to significantly raise the stakes for takeover bids... provided that the Portuguese airline's results remain good during 2024, the time needed for privatization to become effective.

*The winning bid will also be examined by the European Commission, for the reasons mentioned in the previous article.*

## > **Ryanair in Bordeaux: why the low-cost airline and the airport are stalling**

(source La Tribune) March 28, 2024 - "There's **a real risk that we'll close our base in Bordeaux**, perhaps at the end of the summer season," **Ryanair boss Michael O'Leary quietly blurted out** last week. Publicly targeting a French airport where the Irish low-cost airline has based three aircraft and employs 120 staff. **An airport that has also given Ryanair such a warm welcome over the years that** low-cost carriers, represented by easyJet, Ryanair and Volotea, will account for 71% of its 6.6 million passengers in 2023, compared with 31% ten years earlier. Ryanair arrived in Bordeaux in 2009, opening a base and two aircraft in 2019, followed by a third aircraft in 2022, for a total investment of around \$100 million.

A notch below Easyjet, **Ryanair now carries around a quarter of the passengers at Bordeaux airport**, which lost a million passengers a year when the shuttle service to Orly was discontinued, and is struggling to recapture its pre-Covid traffic levels. "With this significant weight, **Ryanair is in a certain way in a position of strength in the negotiations** currently underway, for which it is choosing to put pressure on its employees in order to indirectly target the airport," observes Alain Falque, consultant specializing in air transport and former deputy CEO of Aéroport de Paris.

120 employees in Bordeaux Indeed

, **it was the unions, alerted by Ryanair management, who first became concerned about the closure scenario.** "The company called a meeting with us on March 15 to inform us of the risk of closure of the Bordeaux base, and to invite us to position ourselves on geographical preferences in the event of a transfer.

(...)

Because this is first and foremost a commercial negotiation based on the fares set by the airport. The Bordeaux hub, whose fares have historically been low, has two tools at its disposal: a global fare grid and negotiations on a case-by-case basis with each airline.

(...)

But it's **above all the negotiations with Ryanair that are at the heart of these public frictions.**

(...)

**For years, Bordeaux airport has massively supported the growth of low-cost traffic, with charges 30% lower at the Billi terminal**, dedicated to low-cost airlines and opened in 2010. As the Cour des Comptes explained in its October 2023 report, the contracts with these companies "provide for financial assistance per passenger paid by the airport, conditional on a certain growth in traffic or the opening of routes, as well as marketing support [...] The **scale of the assistance granted is**

**considerable, the amount paid per passenger brought in (on departure) being out of all proportion to the general incentives.**" We're talking about several million euros a year, up to 55% of the hub's EBITDA in 2021, **according to the French Audit Office (Cour des Comptes)**, which warned at the time of "the non-transparent, potentially discriminatory and disproportionate nature of the incentives received by certain airlines under special contracts".

Although legal changes have since been made, **the magistrates note that these contracts, which base their profitability on very strong traffic growth, no longer correspond to the post-Covid air transport context and the climate emergency (.**

..)

And it is the amount of the fees invoiced to Ryanair that seems to be in the crosshairs. "

The passenger charge at the Billi

terminal is about a third lower than at conventional terminals, €3.71 compared with €5.53. It's probably around this subject that discussions are stumbling, and given the context and the risks of distortion of competition, it's logical that the two parties aren't expressing themselves publicly on this issue," comments Alain Falque. The consultant nevertheless considers "the real risk of closing the base to be relatively low, as Ryanair does not really have a relevant alternative in France."

(...)

***My comment:*** Negotiations between airports and airlines involve large sums of money, and bargaining power is of the utmost importance.

*Bordeaux airport has already made considerable financial efforts to accommodate Ryanair.*

*With the abandonment of Air France shuttles to Orly, low-cost airlines find themselves in a stronger position, and Ryanair has understood this very well.*

*Is it still possible to operate with these economic models today, when the Cour des Comptes (French Court of Auditors) is denouncing the private agreements between the airport and the airlines?*

*I'd like to pick up on two points that irritate me.*

*The first is that the Cour des Comptes is constantly denouncing relations between Ryanair and local authorities, without any follow-up action. This is the case here, as it was previously in Tours (see my letter n°868 of July 2022); a report by the Chambre régionale des comptes pointed the finger at the 15.2 million in subsidies paid to Ryanair.*

*The second irritant is the slowness of the decisions leading to Ryanair's conviction*

*in similar cases, making the fines derisory compared with the profits earned over all these years by the Irish airline.*

## > Airbus and civil aeronautics are "cash machines", says Bank of America

(source Les Echos) March 25, 2024 - "Civil aeronautics is becoming a cash machine" and the European defense sector "a structural growth market", according to Bank of America today, at the end of an industry conference it organized last week.

(...)

**Both Airbus and its American competitor Boeing have booked record orders for 2023.** Demand is strong, even if the travel frenzy is beginning to normalize after the post-Covid boom. **Airlines are equipping themselves with new-generation, more efficient aircraft, especially those that consume less kerosene.**

(...)

Orders are pouring in, but for the past three years, aircraft manufacturers - from Toulouse to Seattle - have been struggling to meet them. **Production rates are hampered by supply shortages, both in parts and in materials** (such as titanium, extracted from Russia and Ukraine).

**Tensions should ease throughout this year, according to Airbus and Rolls-Royce, and "the supply chain should be fully re-established by 2025,** which should enable strong cash generation", writes Bank of America in a note to its investor clients, bearing in mind that aircraft manufacturers receive the lion's share of sales proceeds at the time of delivery. And the more money they make, the more shareholders are rewarded, via dividends or share buybacks.

(...)

**The European aircraft manufacturer has gained more than 20% on the stock market since the start of the year.** At 170.62 euros, its shares are trading today just a few cents shy of Friday's record high (170.88 euros), while in the same sector, aircraft engine manufacturer Safran and Thales are pushing to new heights on the Cac 40. **Thales**, a weapons manufacturer (its shares are also in demand after the terrorist attack in Moscow) and supplier of avionics for the Rafale, also equips the cockpits of Airbus A320s (communication systems, navigation aids). Its shares have **risen by 19% since the start of the year. The best performer on the Cac 40 in the first few weeks of 2024 was Safran (+31%),** an engine manufacturer with General Electric for Airbus, Boeing and Comac, with its Leap, successor to the CFM56, the world's best-selling engine.

**My comment:** Bank of America refers to "civil aeronautics", but does not include airlines. Unlike other players in the airline sector, airlines generate low margins.

*Investors are not mistaken: while the share prices of Europe's leading airlines are*

*struggling to rise, Airbus and Safran shares are forecast to rise by 20-30% in 2023.*

## > **Boeing: questions that remain after the change of pilots**

(source Les Echos) March 25, 2024 - **With the announcement of the departure of CEO Dave Calhoun at the end of the year, and the immediate departure of Dan Steal, head of the company's commercial aviation division (BCA), replaced at short notice by Stephanie Pope, Boeing has pulled out the last two trump cards it had up its sleeve in an attempt to allay the growing concerns of the market and its customers.**

(...)

**The first question is whether this reshuffle at the top of the management team is likely to restore confidence.** The first answer would appear to be positive. In addition to a small rebound on the stock market, the change of leadership at Boeing was immediately welcomed by one of its biggest customers, Ryanair.

(...)

While Boeing's customers await their deliveries, the group's shareholders are hoping for a return to profit, after five years in the red. But **while 2023 may mark a certain improvement, 2024 looks rather bleak**, due to the impact of the Alaska Airlines affair and the slowdown in production.

**At the presentation of the 2023 annual results last February, Dave Calhoun had already refused to make any forecasts for 2024.** But a few days ago, Boeing CFO Brian West began to reveal the extent of the damage.

At an analysts' conference, he indicated that the Group would consume between \$4 and \$4.5 billion in cash in the first quarter. The margin of the commercial aviation branch will be negative by 20%, he added. **These statements confirmed investors' worst fears.** Since the start of the year, Boeing has lost a quarter of its value on the stock market.

In addition to the immediate impact of the Alaska Airlines affair, there are other medium- and long-term risks that are difficult to quantify. The first is commercial, with the danger of losing contracts or key customers.

(...)

The second risk is legal. In a country where all the lawyers are on the hunt for plaintiffs, **the prospect of facing a wave of lawsuits and compensation claims is not to be taken lightly.** (..

.)

Will Boeing's woes benefit Airbus?

Airbus doesn't like to talk about it, but **the European aircraft manufacturer has long benefited from its American rival's difficulties.** At least since 2019 and the grounding of all Boeing 737 MAX aircraft. **This benefit can be estimated, at a minimum, at around 10 market share points in the medium-haul single-aisle segment,** i.e. the gap between A320 and B737 deliveries in 2023.

This gap is also reflected in the two aircraft manufacturers' order books and financial



results. **In 2023, Airbus' commercial aircraft division generated sales** of 47.7 billion euros, versus 33.9 billion dollars for Boeing's, with **a positive operating result of 3.61 billion euros at Airbus, versus a loss of 1.635 billion at Boeing.**

However, **Airbus' ability to benefit more from Boeing's problems remains limited by its own production difficulties and its ability to ramp up production.** Despite its efforts, the European aircraft manufacturer has not yet returned to its pre-Covid production levels.

(...)

***My comment:*** Boeing's new management team has a titanic task ahead of it to regain the confidence of airlines, investors and, internally, its employees.

*If they succeed, Boeing will benefit from a favorable market environment (see previous article).*

*Unless Chinese aircraft manufacturer Comac succeeds in getting its single-aisle aircraft certified internationally, which would enable it to start competing with Boeing ... and Airbus.*

## > **Toulouse airport confronted with a decline in domestic traffic**

(source Les Echos) March 28, 2024 - **Toulouse-Blagnac airport is not yet in decline, but it's getting close.** The hub's traffic did increase by 11% in 2023 to 7.8 million passengers, but remains well below the 9.6 million passengers recorded in 2019 before the Covid crisis.

**The year 2023 was marked by changes in behavior.** International traffic, up 27%, overtook domestic traffic for the first time, accounting for 57% of total traffic. In contrast, domestic traffic fell by 5% last year. "This phenomenon is not unique to Toulouse: domestic traffic is only 70% of the 2019 level, exactly the same as in Lyon," notes Philippe Crébassa, Chairman of the Airport Board, 49.99% owned by Eiffage.

(...)

He believes that the reduction in Air France services to Paris is part of the reason for this phenomenon. The Toulouse-Orly shuttle, long Europe's leading route, has been cut from 23 to 16 flights a day by summer 2023, due to falling passenger numbers.

(...)

**"Low-cost carriers are the future of the airport, as traditional airlines are pooling their forces to supply their hub with long-haul flights,"** notes Philippe Crébassa. The increase in Air France fares, "by 15% in 2023 according to the DGAC", would also have contributed to a decline in domestic traffic.

**But there's another phenomenon: companies are more sensitive to**

**sustainable development.** At a time when air transport is being criticized for its greenhouse gas emissions, executives prefer to videoconference or travel to Paris by train. It's estimated that the future TGV line, which will put Toulouse 3? hours from Paris by 2030, will take 30% of air traffic," says Philippe Crébassa. With the change in Air France's shuttle service, this will happen sooner than expected."

**The airport is therefore banking on international business.** Since summer 2023, it has been offering two successful long-haul routes: Air Canada has opened a service to Montreal, and Qatar Airways to Doha. The airport has also added six new vacation destinations to its summer schedule (Berlin, Zadar, Copenhagen, Venice...), among 90 routes.

**Criticized for noise pollution, last week the airport signed a "win-win pact" with local authorities and associations under the aegis of the prefecture, which provides for a reduction in night flights.** "The Summer 2024 program has no passenger flights scheduled between midnight and 6 a.m. and no departures scheduled after 11 p.m.", assures Philippe Crébassa. But to avoid night flights, airlines will have to avoid accumulating delays during the day. Faced with criticism from the air transport industry, **the airport is stepping up its ecological initiatives**, and has been offering plant-based **sustainable aviation fuel (SAF)** since March 4.

(...)

The hub is also banking on **hydrogen**. A green hydrogen production and distribution station built by Engie and the Occitanie region has been powering five parking and runway service buses since late 2023.

(...)

The airport will also be building two **photovoltaic power plants on parking lots** this year, and is committed to reducing CO2 emissions from heating and its vehicles. "Public opinion shapes our future", asserts Philippe Crébassa. The airport has forecast sales of 155 million euros in 2023, close to the 160 million in 2019, with net income of 19 million.

***My comment:*** *The business models of regional airports are being called into question: fewer domestic flights in favor of international ones, ecological initiatives, consideration of noise pollution and business customers favoring videoconferencing over day trips.*

*It seems essential for French airports to understand these trends, anticipate them and rethink their strategies in order to adapt to this new situation; I'm thinking here of long-haul single-aisle flights to distant destinations.*

*Toulouse (with the abolition of night flights) and Bordeaux (see above) seem to have understood this. On the other hand, the reactions of Nice's elected representatives to the announcement of the discontinuation of the Air France shuttle*

leave us in doubt.

## End of press review

### > Air France-KLM share price trend

**Air France-KLM shares** closed at **10.326 euros** on Friday March 29. It is up sharply this week, by **+5.88%**.

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 25%.

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: The Air France-KLM share price is up for the second week running.*

*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 stable at \$108.** It was \$94 at the end of June, and \$79 before the outbreak of war in Ukraine.

**Brent (North Sea) oil is up \$1 a barrel to \$87.**

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 are down this week, to \$21 a barrel.*

*This marks the fifth week in a row that the spread has fallen to \$25 or less.*

*From February to July 2023, the spread had returned to reasonable levels (between \$12 and \$25). From August 2023 to February 2024, the spread between Jet Fuel in Europe and a barrel of Brent crude oil systematically exceeded \$30.*

## **Good to know, special 2023 profit-sharing bonus**

**> Deadline for employee responses: April 17, 2024**

**Air France employees were informed last week that they would be receiving a profit-sharing bonus in April.**

Payment of this bonus can take several forms :

- . a total or partial payment into a bank account (in which case it is subject to income tax),
- .
- o PEE (Plan d'Epargne Entreprise) blocked for 5 years (except in cases of early release provided for by law)
- o PERCOL (Plan d'Epargne Retraite d'entreprise Collectif) or PERO (Plan d'Epargne Retraite d'entreprise Obligatoire) blocked until retirement (except in cases of early release provided for by law
- ).

**Employees must log on to the manager's website before April 17 to make their choice of allocation (payment and/or savings).**

**CAUTION: if you do nothing, your profit-sharing bonus will be allocated:**

- . **50% to the FCPE Monétaire du PEE** (Natixis ES Monétaire), blocked for 5 years (except in cases of early release provided for by law),
- . **50% on the PERCOL's Equilibre pilot-controlled grid**, blocked until retirement (except in the case of early release provided for by law).

You will find [information on how to access the manager's site](#) on my [navigation](#) site.

***My comment:*** *If you haven't already done so, I advise you to enter a personal e-mail address on the manager's website. This will be used for all correspondence.*

*So you don't forget to change your contact details each time you change your postal address,*

*Reminder: if you hold shares in one of the funds managed by Natixis Interépargne,*

*remember to connect 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 don't 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.**

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.

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

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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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