

Air France and KLM launch pay-what-you-can catering test in 2025



## 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)

## for employees and former employees

PS and PNC shareholders of Air France-KLM

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### Editorial

*Dear readers,*

*In addition to the immediate air transport news, this newsletter provides an insight into the content of the Draghi*

*Report (The future of European competitiveness, early September).*

*Draghi*

*'s report proposes three main avenues for reform and sustainable growth:*

*1. innovate and close the technological gap 2*

*Have a common plan for decarbonization and competitiveness 3*

*. Strengthening security and reducing dependency*

*In more detail, the report puts forward 170 proposals. Here are some of the key proposals:*

- Increase innovation: double the budget of the Framework Program for Research and Innovation to €200 billion over 7 years, and create a European agency for breakthrough innovation.*
- Legal harmonization: create a new status of "innovative European company" and unify company law to encourage the growth of start-ups.*

- *Artificial intelligence development: invest in artificial intelligence in 10 strategic sectors (automotive, energy, healthcare, etc.).*
- *Ecological transition: reform the electricity market and decouple the remuneration of renewable energies and nuclear power from that of fossil fuels.*
- *Strategic sovereignty: create a platform to secure supplies of critical raw materials.*
- *Administrative simplification: appoint a European Commissioner for Simplification.*

*Thanks to Damien Gaudin for his summary, presented at the end of this letter.*

*Happy reading*

*François*

## **Monday's Press Review**

### **> No more free meals? Air France launches pay-what-you-can catering test in 2025**

(source Le Figaro) September 19, 2024 - **Air France** is taking a decisive step forward in its in-flight services. Starting in January 2025, the national airline will launch a test of paid catering, or "Buy on Board" (BoB), on two of its short- and medium-haul routes: Paris-Charles de Gaulle to Helsinki and Lisbon.

Gone are the sandwiches and pastries offered with a coffee or soft drink? **At the beginning of 2025,**

the airline **plans to test an evolution of its catering offer on these Economy class flights**, consisting of a free offer and complementary paid products.

Passengers will still be entitled to a small sweet or savoury treat (such as a cookie) with their drink. The rest of the menu will be à la carte... and subject to a charge.

Although this initiative, confirmed to Le Figaro by the airline, is causing some grumbling among frequent flyers, it is nothing new in European skies. In the 1990s, Ryanair pioneered this model, allowing passengers to buy only what they use, while lowering the basic ticket price. Today, **Air France is following this trend, faced with increasing competition, notably from low-cost airlines.**

Tailor-made offers, dictated by the market

**In-flight catering**, which is already commonplace on other classic airlines (in Europe, Lufthansa and British Airways have been using this model for a long time, editor's note), **is just one more piece in the complex puzzle of current fare offerings.** Air France is constantly studying opportunities to develop its offer, in

order to best meet its customers' expectations, in line with market trends," the company told Le Figaro. In short, **the aim is to offer a more personalized flight experience, while maintaining a minimum free offer.**

Rest assured, for Business class passengers, nothing is changing. "Customers will continue to receive a full service consisting of a cold platter signed by a Chef, accompanied by hot and cold drinks and a selection of wines and champagne." Air France wishes to emphasize its commitment to maintaining a high quality service for this premium clientele.

This test, initially limited to two routes, could be extended if the results are deemed positive. Air France's approach is not isolated: its Dutch sister company, KLM, will fully adopt the "Buy on Board" model from 2025. Advocates of this approach point to the savings generated for the airline, which could translate into more competitively priced tickets. Others, on the other hand, fear a decline in the quality of on-board service, and fear that this formula could lead to longer waiting times for passengers wishing to eat. By aligning itself with this trend, Air France is attempting to adapt to the new rules of the air transport market, where **flexibility and cost optimization are becoming decisive factors**. The company is seeking to strike the right balance between competitiveness and quality of service. It remains to be seen how passengers will react to this change.

**My comment:** *This initiative is in line with the current trend.*

*Air France (like KLM) is trying to accentuate the difference in service between economy and business class on medium-haul routes.*

*Against a backdrop of overcapacity in the European air transport market, leading to lower prices, differentiation through the quality of on-board services could become a major asset.*

*If the test results are positive, will the Air France-KLM group be tempted to transpose this strategy to long-haul?*

## > SAS builds a global hub in Copenhagen

(source Air Journal) September 18, 2024 - SAS Scandinavian announces a vast expansion out of Copenhagen from the summer traffic program for 2025, positioning the main hub as a key international gateway to and from Scandinavia and Northern Europe.

SAS now presents 15 new routes from Copenhagen, including a new long-haul route to Seattle. **The addition of several new direct flights from Copenhagen to popular European and intercontinental destinations will support the growth of SAS and Scandinavia as a global hub.** The new routes introduced in the summer program are Krakow, Madrid, Budapest, Lyon, Valencia, Malta, Bucharest, Milan

Linate, Seville, Turku, Billund, Kristiansand, Harstad/Narvik and Bodø. A new route from Copenhagen to Seattle has also been announced, starting next May.

In addition, the frequency of 15 existing routes will be increased

(...)

With its recent entry into SkyTeam, SAS is focusing on its global reach and will continue to develop Copenhagen as its main hub for international travel.

(...)

"Following the new ownership and our successful restructuring, SAS is emerging as a competitive and financially strong airline. **By strengthening Copenhagen as our main hub and expanding our network, we are boosting connectivity and stimulating economic growth** not only in Denmark but throughout Scandinavia

(...), says SAS CEO Anko van der Werff.

(...)

SAS continues to offer efficient services from Oslo and Stockholm. **Oslo Gardemoen will operate up to 125 daily departures to over 60 destinations, with a focus on regional and European travel.** In addition, from summer 2025, SAS will introduce a new seasonal route between Oslo and New York (JFK), enhancing transatlantic connectivity.

**Stockholm Arlanda, with over 70 direct routes and 120 daily departures, will remain an important gateway for European and intercontinental travel,** supported by SAS's recently announced partnership with Braathens Regional Airways AB (BRA), which will optimize regional air services.

***My comment:*** SAS can afford this ambitious plan thanks to its entry into the SkyTeam alliance and the injection of fresh capital following the partial acquisition by Air France-KLM.

*This ambitious plan should enable SAS to outperform its neighbor Finnair (a member of the Oneworld alliance), particularly in the transatlantic market segment.*



## > Boeing confirms unpaid short-time working for duration of strike

(source Les Echos) September 17, 2024 - **On the sixth day of the strike at Boeing, the only certainty is that the end of the conflict is not in sight.** Talks with sections W24 and 751 of the IAM union for American aerospace workers resumed on Tuesday in Seattle, under the aegis of a federal mediator. But the last few hours have been marked by a dramatization of the stakes, and Boeing's room for maneuver seems very narrow, given its financial situation.

In a message sent to all the group's employees, **Boeing CFO Brian West had already ratcheted up the tension on Monday, announcing immediate cost-cutting measures.** (

...)

Unpaid short-time working

However, the most worrying development for Boeing employees is the announcement, confirmed this Wednesday by Kelly Ortberg, Boeing's new CEO, that **a "significant number" of employees, managers and executives will be laid off.** The designated employees will have to endure one week of unpaid technical unemployment every four weeks, for as long as the strike lasts, Boeing's CEO announced in a message to employees.

**Unlike French rules, short-time working in the USA is not compensated,** and therefore results in a complete loss of salary. The only difference with a layoff is that the employees concerned are expected to return to their jobs at the end of the layoff period, which can last up to a year. On condition that the company does not follow up with a redundancy plan, as it did in 2008, during the previous strike, which lasted 57 days.

Some of these cost-cutting measures have already had an impact on employment. Boeing has announced the suspension of contracts with "non-essential" suppliers.

According to the Seattle Times, this has already resulted in the departure, as of Monday, of "dozens of consulting engineers", recruited by Boeing on fixed-term contracts to help solve its industrial problems.

And Boeing employees are not the only ones to be concerned. **Subcontractors, too, are threatened by a reduction in orders.** "We plan to significantly reduce supplier spending and will stop issuing the majority of supplier purchase orders on the 737, 767 and 777 programs," says Brian West. Only the 787 program, spared until now by the strike at its Charleston plant, would not be affected by these restrictions.

The announcement lacks details. But in view of the models concerned, all assembled around Seattle where the epicenter of the conflict is located, **a freeze on spare parts orders could have negative consequences as far away as France, particularly for Safran.**

(...)

**These announcements** are certainly intended to put pressure on the strikers. But they also **reflect Boeing's concern for its cash flow in the event of a lengthy strike.** According to financial analysts, if deliveries of the 737, 777 and 767 were halted, Boeing would **lose around \$100 million a day.** Yet the aircraft manufacturer has already drawn heavily on its cash flow since the start of the year, burning more than \$8.2 billion in cash in the first half to cope with its quality problems and the consequences of the Alaska Airlines accident.

If the spigot of cash generated by aircraft deliveries stops, Boeing risks being forced to borrow more money to cover its expenses. **The aircraft manufacturer is already burdened by a \$47.5 billion debt, which it has begun to reduce, but which costs it around \$2 billion a year.**

A further increase in this debt, coupled with a sharp rise in the aircraft manufacturer's costs to meet wage demands - the 25% across-the-board increase rejected by employees would already cost an additional \$900 million a year - would inevitably lead to a downgrading of Boeing's financial rating and an increase in its debt. **Unless Boeing decides to file for bankruptcy protection, which would be another stock market cataclysm.**

***My comment:*** *In recent years, Boeing's accidents and setbacks have often pointed the finger at its shareholder-oriented financial logic.*

*Boeing's new CEO, who arrived last month, has taken over the reins of a group in the midst of a crisis of confidence with the authorities and customers, and now faces an internal social crisis.*

*As soon as he arrived, he recognized that much needed to be done to restore confidence.*

*The Group, heavily in debt, has limited room for manoeuvre in responding to*

*employee demands. Yet employee rejection is massive, with over 95% of votes in favor of strike action last Thursday among IAM union workers. This rejection is understandable in view of the inflationary context and the aircraft manufacturer's strategy in recent years.*

*Whatever the outcome, the dispute will have a major impact on Boeing's cash position and, in particular, its debt.*

### > **CDB Aviation also orders 50 Boeing 737 MAX**

(source Journal de l'Aviation) September 19, 2024 - After Airbus, Boeing. CDB Aviation announced on September 18 that it had reached an agreement with Boeing for the purchase of fifty 737-8s. **The aircraft leasing division of China Development Bank specifies that deliveries are scheduled between 2028 and 2031.**

Last week, CDB Aviation announced the signature of a similar agreement with Airbus for 80 A320neo family aircraft.

In both cases, the objectives are the same. **The leasing company wants to optimize its fleet and increase the proportion of new-generation aircraft, for which demand from airlines will continue unabated over the next few years.** They are actively seeking additional capacity, in a market constrained by supply chain difficulties and quality issues, and greater fuel efficiency.

Demand is all the more important in China, where air traffic is growing rapidly - faster than the global average - and will continue to do so for years to come.

The order comes at a time when Boeing's 737 MAX deliveries to China are gradually increasing, as aircraft produced but not delivered in recent years come out of storage.

***My comment:*** *Leasing companies own around half the world's fleet. The COVID-19 period has prompted airlines to seek greater flexibility and liquidity through "sell and lease back" operations.*

*The Chinese market promises strong growth, particularly on the short-haul network. China needs short-haul aircraft, but deliveries of the Comac C919 will not be sufficient. What's more, this model is still not authorized to fly outside China.*

*Chinese airlines will be demanding new-generation single-aisle aircraft to reduce fuel consumption and CO2 emissions. CDB Aviation wisely anticipates Chinese market trends.*

## **Draghi report on the future of European**

## **competitiveness**

### **> The future of European air transport**

(source Damien Gaudin, LinkedIn) September 22, 2024 - On September 9, Mario Draghi, former President of the European Central Bank, submitted his report on Europe's competitiveness to Ursula Von Der Leyen, President of the European Commission.

**The report highlights the urgent need to invest hundreds of billions of euros a year to keep pace with the USA and China.**

The 328-page document covers all sectors.

Transport is a priority sector for the EU's transition to a net-zero emissions economy.

**Turning now to air transport, the positive points raised are as follows:**

- The EU's ambitious plans to decarbonize the transport sector offer unique opportunities for the EU to be at the forefront of decarbonization solutions.
- EU airports are hosting green hydrogen demonstrators and developing proofs of concept for modular sustainable aviation fuel (SAF) blending facilities.
- Europe holds more than half of the market share in civil aircraft construction.

**But the report points to the following problems:**

- The construction of infrastructure (including airports) presents investors with high risks and too long a payback period: this discourages private investment.
- At EU airports, ever-increasing demand, congestion and inefficient use of existing airport capacity have led to major bottlenecks.
- IT solutions are inadequate: interoperability and harmonized deployment of innovative digital solutions are limited. Air traffic control systems lack synchronization. Finally, there are no real solutions for intermodal transport.
- **The EU's decarbonization targets are putting pressure on transport sectors, particularly those that are difficult to reduce, including air transport.**
- **There is a risk that activities will be shifted to Europe's neighboring countries, or be more profitable there, unless a level playing field can be found through the International Civil Aviation Organization.**
- Even if most of the technological patents are European, production capacity for Sustainable Aviation Fuels remains largely insufficient.
- **The European Union needs to start building a supply chain for alternative fuels, otherwise the costs of meeting its targets will be too**



**high.**

The report highlights several points raised by airlines, the Fédération Nationale de l'Aviation Marchande, IATA, A4E (Airlines For Europe) and many other stakeholders: this awareness is essential if we are to develop a European development policy on solid foundations.

There is, however, one point to note. The TEN-T (Trans-European Transport Network)

project aims to "plan and develop a coherent, efficient, multimodal and high-quality transport infrastructure throughout the EU". In other words, to promote more efficient and environmentally-friendly transport of people and goods.

In the medium term, the plan is to link major cities and airports by rail, usually at high speed. With the disappearance of certain domestic routes, the long-term question is whether hubs can continue to be supplied by air, and what will become of the model for medium-haul flights within the European Union. In the meantime, digital solutions and acquired experience will enable intermodal transport to be much more efficient and developed than it is today.

In view of these observations, the report also puts forward a series of objectives and proposals that could be of interest to the air transport sector:

- **The EU should adopt a framework conducive to risk-sharing between the public and private sectors, notably through public-private partnerships backed by solid guarantees.**
- The European Investment Bank should extend its support to transport projects aligned with the European Union's strategic priorities.
- Improve cross-border collaboration in air traffic control.
- Launch dedicated European innovation projects leveraging public-private partnerships and cross-border cooperation to produce fuel-efficient, zero-emission aircraft.
- **Reduce the risks associated with investments in sustainable, low-carbon renewable fuels**, via arrangements based on contracts for difference and auctions as a service similar to those designed for the Hydrogen Bank.
- Launch dedicated sectoral calls under the Innovation Fund for the initial deployment of decarbonization solutions, e.g. for eSAF (electro Sustainable Aviation Fuel).
- To guarantee the production of sustainable fuels, the European Union must guarantee the necessary raw materials, coordinate demand aggregation and joint purchasing.
- Adapting job profiles to the ecological and digital transition.

**My comment:** *This excellent summary was produced by Damien Gaudin, who is*

one of your representatives on the supervisory boards of employee shareholding funds.

You can find the link to the Draghi report on the [home page of my blog](#).

## Stock market press review

### > Air France KLM: back on track

(source Boursier) September 19, 2024 - In the wake of the market, Air France KLM gains 2.8% to 8.8 euros. The news surrounding the airline is marked by a note from **BNP Paribas Exane**, which **has raised its recommendation on the stock to 'neutral', with a target of 9 euros**.

The broker notes that the factors that weighed on the stock this year, notably staff shortages and tourists avoiding Paris during the Summer Olympics, will not be repeated in 2025.

**The analyst thus asserts that the airline group's prospects are "much brighter in 2025"**. He increases his Ebit estimates for fiscal 2024 by 24% and by 9% for fiscal 2025.

**My comment:** *Ryanair has seen better booking momentum since last month and has less need to cut prices, the airline's chief executive Michael O'Leary told Reuters on Tuesday.*

*His comments reassured investors after a difficult few months for the airline sector. On the stock market, Ryanair shares soared, also giving a boost to European competitors including easyJet, IAG, the owner of British Airways, Air France-KLM and Lufthansa.*

## End of press review

### > Air France-KLM share price trend

**Air France-KLM shares** closed at **8.828 euros** on Friday September 20. It has **risen sharply this week (+8.24%)**.

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 10.44**

**euros** (it was 15.0 euros at the beginning of January 2023). The highest price target is 17.50 euros, the lowest 8 euros.

**I only take into account analysts' opinions after July 1, 2023.**

You can find [details of the analyst consensus](#) on my blog.

***My comment:*** Air France-KLM's share price gained +8.24% this week following Ryanair's announcements (see article in the stock market press review).

> **Fuel price trends this** week

**The price of a barrel of Jet Fuel in Europe has risen (up \$1) to \$89.** It was \$94 at the end of June 2023, and \$79 before the outbreak of war in Ukraine.

**Brent crude oil (North Sea) is up (+\$3) to \$75 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 new comment:*** **The price of a barrel of Jet Fuel in Europe** has been falling steadily, gradually dropping from \$120 to \$88 last week. This is its **lowest price since May 2022** (when I began publishing this indicator).

Since the beginning of the year, **the price of a barrel of oil** has been relatively stable (between \$80 and \$90). **Last week, it fell to its lowest level since September 2021 (\$72).**

*The spread between Jet Fuel in Europe and Brent crude has followed the same trajectory as Jet Fuel, approaching its pre-Ukraine level.*

> **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 Partners for the Future, 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](#).

**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**

**Represented Air France-KLM's employee and former employee PS and PNC shareholders.**

**You can find me on my twitter account @FrRobardet and on LinkedIn.**

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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