

TSBA increase could cost France dearly



## 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)

## Air transport in France, Europe and the rest of the world

N°991, November 18, 2024

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I share the Air France-KLM group's raison d'être:

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

### ***Editorial: the new formula is adopted***

*Dear readers,*

*Last week, I experimented with a new layout for the newsletter.*

*I reversed the commentary and article content, to better suit your reading habits.*

*Your feedback has been positive, so I'm keeping this new format.*

*Happy reading*  
*François*

### ***Monday's letter***

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## > 11,500 jobs and 510 million in tax losses: the increase in the TSBA could be costly for France

(source Journal de l'Aviation) November 12, 2024

**My comment:** The FNAM (Fédération Nationale de l'Aviation et de ses Métiers) and the UAF (Union des Aéroports Français) have published a very interesting study on the weight of air transport in France.

*Above all, it highlights the positive impact of air transport on employment in France.*

*Let me add one more point: tourists arriving in France on long-haul flights are generally the ones who spend the most in France, to the benefit of hoteliers, restaurateurs and all tourism-related businesses.*

*The same applies to French tourists who travel abroad, enabling the populations of these countries to improve their living conditions.*

*This contribution of air transport is rarely taken into account by aviation's detractors.*

### Read the article:

Tired of preaching in the desert for years, **the airline industry has commissioned a study from Deloitte to determine the socio-economic weight of air transport in France**, and to base its next lobbying actions on tangible, up-to-date data. But that was before the announcement of the solidarity tax increase. This study, completed in October and just presented by Deloitte, FNAM and UAF on November 12, provided a basis for determining the potential impact of the TSBA increase.

**The Deloitte study looks at** three types of player whose business is exclusively

focused on scheduled air transport: **airports, airport businesses and airlines**. According to the data collected by the firm, these three types of player generate annual sales of €39 billion and added value of €19 billion. At the same time, they employ some 175,000 full-time equivalents (FTEs).

Added to this are the knock-on effects, i.e. purchases from direct and indirect suppliers, and the activities of suppliers of goods and services induced by the consumption of employees of air transport players and their suppliers. **Taking these knock-on effects into account, the sector represents 111 billion euros in annual sales, 52 billion euros in added value - equivalent to 1.8% of GDP in 2023 - and some 568,000 FTEs**. The study stresses that the sector is "employment-intensive", with a higher-than-average rate of employment per million euros of sales (five, compared with 3.6 for the economy as a whole). Finally, excluding VAT and corporate income tax, **the industry currently generates over 12.2 billion euros in tax revenues for the French government**.

The Deloitte study also points out that the air transport sector plays an essential role in French exports, **transporting 35% of the value of French exports** outside Europe. It is also essential for supporting the tourism sector: **it brings 37% of foreign tourists to France**, who contribute to the dynamism of the hotel, restaurant, travel agency and other sectors. Finally, it is crucial for ensuring territorial continuity.

The government's intention to increase the revenue from the solidarity tax on airline tickets by one billion euros by 2025 was made public at a very advanced stage of the study. Presented in the form of an amendment as part of the 2025 Finance Bill, the proposal panicked all stakeholders, denouncing its disproportionate, unfair and "mortifying" nature, as stakeholders have been repeating ever since.

But beyond words, they were able to rely on the Deloitte study to try to determine and above all put a figure on the impact of the TSBA increase - of 850 million euros in 2025 for commercial aviation. According to the FNAM, which also relies on a scenario provided by the DGAC and INSEE studies, **in the best-case scenario, the increase in the TSBA could result in a 2% loss of traffic** - not least because it will lead to an increase in air fares, which has already been implemented by several airlines.

According to the FNAM, **a 2% loss of traffic would result in a loss of tax revenue of 510 million euros and the loss of 11,500 jobs**. While the fiscal risk seems limited, it only takes into account the direct effects, i.e., not the impact on suppliers, tourism, etc. The association therefore suspects that the increase in the TSBA will result in "a potentially greater loss of income for the State budget than the revenue generated by its collection".

**The National Assembly has taken note of this risk. On November 8, the deputies proposed to limit the increase in time (to one year)** and to exclude from its application territorial continuity links, including overseas territories and Corsica. While the FNAM and UAF see this as an optimistic sign, the two

associations point out that this provision excluding territorial continuity routes had also been adopted at the time of the previous TSBA increase, but had not been validated by the European Commission.

## > **KLM is concerned about the possibility of further narrowing at Schiphol: "incorrect calculations".**

(source ANP, translated with DeepL) November 15, 2024

**My comment:** Analysts who follow air transport insist on KLM's weakness within the Air France-KLM group.

*The various decisions taken by the Dutch government since the end of the Covid-19 crisis have contributed to this weakening. The Dutch government holds a 9.1% stake in Air France-KLM.*

*But it is finding it hard to resist environmental pressure, which is stronger in the Netherlands than in France.*

*Residents of Schiphol airport have arguments that need to be heard.*

*In France, the Roissy Charles-de-Gaulle KLM hub enables French people living in the provinces to travel abroad.*

*The situation is different in the Netherlands. Connecting passengers at Schiphol are essentially Europeans who are just passing through.*

*So why shouldn't KLM stop transferring these passengers? This would reduce the nuisance around the airport.*

*KLM will need a great deal of persuasion to keep its business model alive.*

### **Read the article:**

**KLM is very concerned about reports that further narrowing may be imminent at Schiphol.** The Telegraaf reported on Thursday evening that bandwidth might have to be adjusted from 475,000 to 485,000 flights a year to 466,000 to 487,000 flights, according to external studies. But according to the airline, these studies are based on erroneous calculations.

For months, complex calculations on the reduction of aircraft noise have been carried out by two external agencies. This is part of the European Commission's "balanced approach" procedure. In a previously proposed package of measures,

Madlener uses a "bandwidth" of 475,000 to 485,000 flights. "The exact calculation of the maximum number of flights is ongoing. We expect more clarity on this in the autumn," Madlener said earlier this year.

His initial estimate may have been too high: according to De Telegraaf, the minister has been informed that it should be adjusted to between 466,000 and 487,000 flights, depending on the degree of noise reduction. These figures will then be forwarded to Brussels.

(...)

**"KLM strongly questions the information according to which the calculations made within the framework of the balanced approach procedure are significantly lower than the range mentioned by the Ministry.**

KLM does not understand that the Ministry has chosen to estimate the positive effects of fare differentiation and fleet renewal at a level significantly lower than that calculated by the industry and independent experts."

The airline continued: "The Ministry's assumptions mean that only 15 of the KLM Group's 61 new aircraft are included in the calculations, even though they all contribute to noise reduction for local residents at Schiphol. For KLM, it is important that this fleet renewal is taken into account in accordance with European rules. We also suspect that the effects of the fare differentiation aimed at keeping noisy aircraft away from Schiphol are largely underestimated.

A minimum of 483,000 flight movements a year are required at Schiphol to avoid having to cancel historic slots.

KLM: "If the erroneous calculations lead to a sharp contraction in the number of flight movements, this will have major consequences for Schiphol's hub function, for KLM and thus for the business climate and the Dutch economy. This is not in line with the balanced approach procedure, which stipulates that measures to combat noise pollution should be chosen with the least possible economic damage. What's more, the narrowing could lead to serious international retaliation, particularly from the USA, which already showed last year, during a previous intention to narrow, that this was no idle threat".

## > Lufthansa secures strategic entry into Italian market with acquisition of ITA Airways

(source Journal de l'économie) November 13, 2024

***My comment:*** The company (ITA Airways) that Lufthansa is taking over is not as big as its illustrious predecessor (Alitalia).

*Over the years, the Alitalia airline has faltered. The various buyers (KLM, Air France, Air France-KLM, Etihad, MSC) have all thrown in the towel.*

*Lufthansa faces a daunting task. In particular, it will have to manage the dual Rome-Milan hub, a source of considerable cost overruns.*

*Let me remind you that the Italian State has injected some 13 billion euros into Alitalia over the last few decades, in particular to support the company in the face of its recurring financial difficulties.*

*This public aid has taken various forms, such as loans, recapitalizations and debt guarantees, with the aim of keeping Alitalia afloat.*

*Despite this aid, Alitalia failed to recover and was placed into liquidation in 2017. In 2020, the company was replaced by ITA Airways, a new entity financed by the Italian state, which inherited part of Alitalia's assets.*

*What's left of Alitalia has just begun collective redundancy procedures for its remaining 2,059 employees. The final redundancies concern more than 1,100 cabin crew and 82 pilots. They will take effect in January 2025, according to a letter sent to the unions by the administrators managing Alitalia's final liquidation.*

*In the negotiations to acquire ITA Airways, Lufthansa Group has not indicated any intention of taking over Alitalia's remaining staff.*

### **Read the article:**

**The agreement reached between Lufthansa and the Italian government paves the way for the acquisition of ITA Airways by the German airline giant.** After intense negotiations, the deal now awaits approval from the European Commission, enabling Lufthansa to secure a strong position in Italy, a crucial market within the European Union.

After months of negotiations, Lufthansa and the Italian State have finalized the terms of their agreement for the German airline to acquire a stake in ITA Airways, successor to the famous Alitalia. **The Italian Ministry of the Economy has confirmed that the necessary documents, including the competition remedies required by Brussels, have been sent to the European Commission on time.** These measures include the transfer of airport slots to other airlines to avoid excessive concentration on certain routes.

**Under the agreement, sealed in May 2023, Lufthansa will initially acquire a 41% stake in ITA Airways for €325 million,** with an option to gradually increase this to 100% in the medium term. Although requests for discounts emerged in the final stages of negotiations, citing a fall in the value of ITA Airways, Rome firmly maintained the initial price. A senior Italian government official declared: "Italy is not selling off its airline", meaning that the state would not give in on its financial demands.

For Lufthansa, this acquisition represents a major access point to the European

Union's third-largest aviation market, Italy, enabling it to strengthen its position in the face of intense competition on European routes. **Lufthansa's entry into the capital of ITA Airways is part of an overall strategy aimed at extending its influence in Southern Europe**, after years of unsuccessful attempts with the former Alitalia. Indeed, two takeover attempts failed in 2009 and 2019, while the group's most recent offer, made in partnership with carrier MSC in 2022, was also rebuffed.

(...)

This agreement marks the start of a new era for ITA Airways, founded in 2021 after the end of Alitalia and supported by an injection of European public funds. By joining the Lufthansa group, ITA hopes to stabilize its finances and restore its image with Italian travellers. **The challenge for the European Commission will be to closely monitor this new dynamic to ensure healthy competition that benefits consumers.**

## > India: Vistara and Jet Airways bid farewell

(source L'Écho touristique) November 13, 2024

**My comment:** *The Covid-19 crisis has taken its toll on a number of airlines.*

*In addition to the two Indian airlines mentioned in the article, Spirit Airlines in the USA has seen its future darken.*

*The threat had been looming for some time. Following the failure of its two proposed mergers with Frontier and JetBlue, Spirit Airlines was forced to file for Chapter 11 bankruptcy protection, under a simplified procedure that is less restrictive than the standard version. It hopes to emerge from Chapter 11 in the first quarter of 2025.*

*As part of a restructuring support agreement, bondholders of the ultra-low-cost airline have committed to invest \$350 million in capital to carry out a deleveraging operation and \$300 million in debtor-in-possession financing. (source Journal de l'Aviation)*

### Read the article:

Two major Indian airlines flying to Paris have ceased operations in recent days. **On the one hand, Vistara has been integrated into Air India. On the other, Jet Airways has been placed in final liquidation.**

India's skies are being restructured. Vistara, a joint venture between Tata Sons and Singapore Airlines, made its last flight on Monday November 11. Born in



2015, the carrier sees all its operations taken over by Air India, as part of the announced merger between the two airlines, both under the Tata Group umbrella. By integrating Air India, Vistara is merging its operations to streamline the offering and strengthen the Tata Group's position in the Indian airline sector.

(...)

**At the same time, after years of financial turbulence, on November 7 the Indian courts ordered the final liquidation of Jet Airways**, the culmination of five years of proceedings begun when it went bankrupt in 2019 with an estimated debt of \$1.2 billion.

The warning signs of Jet Airways' crisis appeared as early as 2018, with the accumulation of debts and the inability to pay employee salaries or settle fuel bills. Management's efforts to turn the company around, notably by cutting costs and reorganizing operations, proved insufficient. The situation came to a head in April 2019, when Jet Airways, once ranked as India's second-largest airline, was forced to suspend operations, grounding its aircraft and thousands of passengers.

(...)

## > **The A321 XLR, Airbus' revolutionary aircraft, makes its first flight worldwide**

(source L'Actu) November 15, 2024

**My comment:** *To accuse the A321 XLR of being revolutionary is an exaggeration.*

*The differences between the A321 LR and the A321 XLR are slight. I reproduce here my comment made in my letter n°966*

**My comment from May 2024:** *Like its little brother the Airbus A321LR, the A321XLR has undeniable advantages:*

*- a shorter take-off and landing distance than twin-aisle aircraft, giving it access to many more airports than them, airports better positioned for passengers and less expensive,*

*- the possibility of using the aircraft on long-haul flights for summer programs and medium-haul flights for winter programs,*

*- for passengers, a 6-seat economy class cabin, more comfortable than the 10 seats on twin-aisle aircraft.*



*But this new aircraft also has its drawbacks:*

*- cruising speed, mach 0.79 versus mach 0.85 for the Airbus A350 and Boeing B787: that's 20 to 30 minutes more flight time on a 9-hour trip*

*- the difference in range of around 1,000 km between the A321 LR and XLR requires the addition of a fuel tank. As the maximum takeoff weight remains the same, the maximum number of passengers will inevitably be reduced,*

*- the risk of cannibalization for major airlines if they operate point-to-point routes to/from secondary airports instead of serving their hub,*

*- for A321 XLR flights of over 9.30 hours, the requirement for a three-pilot crew, which necessitates a crew rest area, as well as substantial storage space for catering.*

*This aircraft should find its market on a point-to-point basis, to serve medium-sized cities without using the hubs of major airlines. It could also be used as a single-class aircraft for leisure customers on a tight budget.*

*The choice between LR and XLR models will be a tricky one. The XLR can cover 1,000 kilometers more than the LR. To make it profitable, airlines will have to position it on routes not feasible with LR but only with XLR. These routes are very limited in number.*

*For the moment, the Air France-KLM group has ordered A321 NEOs, without specifying the exact model. Slot constraints at Schiphol and Orly mean that the A321 LR is preferred, as it carries more passengers than the A321 XLR.*

### **Read the article:**

Candle blown out. **The very first commercial flight of the A321 XLR (for Extra Long Range), Airbus' latest baby, took place on Thursday November 14, 2024.**

(...)

Spanish airline Iberia proudly opened the ball, as reported in a video filmed on board the aircraft, published on X by Fly News.

(...)

Iberia was indeed the very first to receive the state-of-the-art machine. And it didn't take her long to get her new toy up and running. Just two weeks after delivery, the Spanish national airline sent it across the ocean to the United States. It has to be said that **this CFM LEAP-1A-powered aircraft has what it takes to perform a number of feats. The single-aisle aircraft, with its 182 seats divided into two classes, can fly non-stop for around 11 hours. A revolution among single-aisle aircraft.**

But it is above all the fuel tank that is attracting interest. The A321 XLR can already be operated on 50% Sustainable Aviation Fuel (SAF), and offers "30% lower fuel consumption per seat than previous-generation competitor aircraft, as well as reduced NOx emissions and noise pollution", says the aircraft manufacturer.

## > Air France-KLM to switch off its historic computer rooms in 2027

(source La revue du digital ) November 17, 2024

**My comment:** *An important page is being turned for Air France-KLM's IT.*

*I remain dubious about the relevance of this operation.*

*Air France-KLM is entrusting its data and applications to US companies, with the transfer being handled by an Indian company (TCS).*

*The loss of jobs and in-house skills could make it difficult to control costs in the long term, as both Microsoft and Google are not renowned for their philanthropy.*

*But my main concern is the loss of sovereignty over critical corporate data.*

*What will happen if a major political crisis pits the United States against Europe?*

**Read the article:**

**Air France-KLM plans to disconnect its own servers and data centers in 2027.** The airline currently carries its applications and data in a multi-Cloud architecture. Air France-KLM has chosen Microsoft's Azure Cloud and Google Cloud.

Migration is taking place at the rate of one application per day, with Oracle providing data security support. A thousand applications are involved, of which 300 have already been migrated.

The adoption of the Cloud is taking place in Paas (Platform as a service) mode, and not in "lift and shift" mode, which is simply a transfer of existing applications as is to the Cloud. This is what Thierry Morcq, CTO (Chief Technology Officer) of the Air France-KLM group, explained during an interview on BFM Tech and Co, clarifying the modalities and objectives of an announcement made earlier by the services company TCS (Tata Consultancy Services), which is involved in this migration to the Cloud with around a hundred

of its staff.

The aim is to accelerate Air France-KLM's migration to the Cloud, in order to create a new platform. This new platform should reduce the time needed to bring new applications into service (improving "time to market") and facilitate innovation in response to the demands of the airline's business lines. "It's the ability to deliver a chatGPT in 2 months and not 6 months", illustrates the manager. On the IT side, Air France-KLM's ambition is to close the current machine rooms - the historical legacy - for the entire Group by December 2027.

**Air France-KLM has three major Data Centers, located in Amsterdam, Toulouse and Valbonne. They are redundant. The aim is to close these machine rooms and transform them into two major Cloud provider platforms, Microsoft Azure and Google Cloud.** Air France will retain "some" co-location with Equinix. Data will be grouped together in a Data Lake, a single Data Warehouse.

On the IT side, Air France-KLM is targeting efficiency gains. These include continuous software integration capabilities. In other words, an application can be delivered and tested immediately. This is why Air France-KLM wants to transform its applications. The 300 applications that have already been ported to the Cloud have not been "lifted and shifted". Instead

, they have been transformed into new services in PaaS (Platform as a Service) mode, a platform mode designed to save time.

Different services for different Air France-KLM businesses

Having such a software infrastructure is a change of method compared with what Air France-KLM had been doing on its private clouds

until now. Software infrastructures are delivered as part of automated processes.

Air France-KLM has opted for a multi-cloud offering to best serve its different business lines, whether commercial, cargo or passenger. Each business has its own specific needs, hence the need to provide a rich portfolio of solutions.

## > Can France still afford to have so many regional airports?

(source Journal de l'Aviation) November 18, 2024

***My comment:*** *With the decline in domestic passenger numbers, the maintenance of all 32 French regional airports is a topical issue.*

*Will Lorient Bretagne Sud airport be able to withstand local competition? There are a total of five airports in this region, several of which are in difficulty.*

*The situation is similar in Normandy, where four of the five local hubs are located within a handkerchief of each other: Caen, Deauville, Rouen and Le Havre.*

*Further south, how can Toulon-Hyères airport be preserved in the face of Nice Côte d'Azur and Marseille?*

*And what about the airports of Pau and Tarbes, 50 km apart?*

*As the President of the French Airports Union clearly states: "Below 1 million passengers, an airport can't make money".*

*Only 15 French airports will have exceeded this threshold by 2023.*

### **Classement par passagers des aéroports de France métropolitaine (>1M passagers)**

| Aéroports                      | Pax        | % 2023/2022 | % 2023/2019 |
|--------------------------------|------------|-------------|-------------|
| 1 Paris-Charles de Gaulle      | 67 421 316 | +17,3%      | -11,5%      |
| 2 Paris - Orly                 | 32 294 167 | +10,6%      | +1,4%       |
| 3 Nice Côte d'Azur             | 14 189 965 | +17,1%      | -2,0%       |
| 4 Marseille Provence           | 10 800 254 | +18,1%      | +6,4%       |
| 5 Lyon-Saint Exupéry           | 9 989 867  | +16,7%      | -14,9%      |
| 6 Bâle - Mulhouse              | 8 087 088  | +14,7%      | -11,1%      |
| 7 Toulouse - Blagnac           | 7 804 980  | +10,9%      | -18,9%      |
| 8 Bordeaux                     | 6 584 194  | +15,4%      | -14,5%      |
| 9 Nantes Atlantique            | 6 535 074  | +12,7%      | -9,6%       |
| 10 Paris - Beauvais            | 5 638 955  | +22,2%      | +41,6%      |
| 11 Lille - Lesquin             | 1 864 769  | +5,2%       | -14,8%      |
| 12 Montpellier Méditerranée    | 1 753 427  | -0,4%       | -9,4%       |
| 13 Ajaccio -Napoléon Bonaparte | 1 610 740  | -3,1%       | -0,5%       |
| 14 Bastia - Poretta            | 1 500 305  | +0,8%       | -3,8%       |
| 15 Strasbourg                  | 1 017 989  | +9,4%       | -21,8%      |

## Classement par passagers des aéroports de France métropolitaine (>100 000 passagers)

| Aéroports                                 | Pax     | % 2023/2022 | % 2023/2019 |
|---|---------|-------------|-------------|
| 16 Biarritz-Pays Basque                   | 969 988 | +4,1%       | -9,0%       |
| 17 Figari - Sud Corse                     | 863 533 | -4,8%       | +15,3%      |
| 18 Brest Bretagne                         | 810 796 | +1,1%       | -34,4%      |
| 19 Rennes - Saint-Jacques                 | 594 954 | -7,5%       | -30,2%      |
| 20 Tarbes Lourdes Pyrénées                | 590 019 | +46,3%      | +26,5%      |
| 21 Perpignan - Rivesaltes Méditerranée    | 478 619 | +15,1%      | +6,8%       |
| 22 Calvi - Sainte-Catherine               | 362 541 | +4,6%       | +7,7%       |
| 23 Pau Pyrénées                           | 345 603 | -6,1%       | -43,0%      |
| 24 Caen                                   | 329 632 | +9,4%       | +8,2%       |
| 25 Carcassonne Sud de France              | 322 767 | +15,6%      | -8,3%       |
| 26 Toulon Hyères                          | 308 183 | -28,0%      | -39,2%      |
| 27 Béziers - Cap d'Agde Hérault Occitanie | 273 284 | +24,4%      | +2,1%       |
| 28 Limoges                                | 264 426 | +36,7%      | -12,1%      |
| 29 La Rochelle - Ile de Ré                | 253 068 | +39,8%      | +8,6%       |
| 30 Nîmes Grande Provence Méditerranée     | 252 288 | +36,2%      | +9,2%       |
| 31 Grenoble Alpes Isère                   | 243 146 | +27,2%      | -21,1%      |
| 32 Bergerac Dordogne Périgord             | 239 635 | +7,7%       | -16,0%      |
| 33 Clermont-Ferrand - Auvergne            | 230 617 | +22,3%      | -46,5%      |
| 34 Tours - Val-de-Loire                   | 206 861 | +16,1%      | +4,9%       |
| 35 Chambéry - Savoie Mont Blanc           | 163 221 | +34,9%      | -20,2%      |
| 36 Dole Jura                              | 125 141 | +24,6%      | +12,6%      |
| 37 Metz-Nancy-Lorraine                    | 102 309 | +129,9%     | -61,2%      |

### Read the article:

Since the pandemic, these structurally loss-making regional airports have been weakened by the decline in business travel and the departure of Air France.

They are more dependent than ever on public subsidies and low-cost airlines. A model under fire. And one that the proposed tax on airline tickets will undermine even further.

(...)

**Our country is the champion of these regional airports. There are 32 in all, three times as many as in Germany and more than in the UK.** However, since the Covid pandemic, **their health has deteriorated, especially those dependent on business customers.** "Companies have cut back on travel, so airlines have reviewed their positioning, particularly Air France, which will be leaving Orly by 2026 and has withdrawn its Hop! airline from a number of cities," explains Thomas Juin, President of the French Airports Union (UAF).

Environmental concerns and competition from the train have also contributed to emptying tarmacs. Domestic traffic has collapsed. And in turn, so has traffic to local airports, down 17% between 2019 and 2023. Current parliamentary discussions on raising air and airport taxes will not help the situation. "

I'm expecting a series of route cancellations, and some airlines may place their planes in other countries," warns Thomas Juin, reminding us: **"Below 1 million passengers, an airport can't make money.**

And therein lies the problem. **Their balance sheets are structurally unprofitable. The fault lies with the 2005 decentralization law, which transferred ownership of these airports to local authorities. According to a**

**2023 report by the Cour des Comptes, this has created "a situation in which none of the public players has any responsibility or overall vision when it comes to airport networks".** And where competing cities and départements are each spending millions to support their airports. **Between 2019 and 2021**, for example, **according to the Cour des Comptes, 30 intermediary airports received a total of almost €200 million in public funding**, for both operating and capital expenditure. To this must be added the cheques signed for public service obligation (PSO) routes. These unprofitable routes, also known as regional development routes (LAT), are considered necessary to open up certain areas. Companies operating these routes receive a subsidy.

40 euros per passenger

**Finally, there's another, more surprising item of public expenditure: the financing of low-cost airlines**, on which provincial airports are increasingly dependent to maintain their activity. In exchange for their installation, local authorities pay them "marketing services", in reality disguised subsidies. **Ryanair is the champion of these practices.**

**In Nîmes**, where it currently accounts for 100% of traffic (pending the arrival of L'Odyssey in May), **the Irish low-cost carrier receives, according to our information, aid equivalent to around forty euros per passenger.** Almost the price of the ticket! **The company headed by Michael O'Leary may be in the crosshairs of the European Commission** - it was ordered in 2022 to repay 8 million euros in aid received from La Rochelle airport - **but it continues to make its own rules.** For the time being.

Between now and 2027, Brussels will rule on the legality of public aid to French airports. The noose is tightening, all the more so as, at the same time, "local authorities are facing ever tighter budgets," deciphers an insider. When it comes to deciding between closing a canteen and paying millions to Ryanair, the choice will be obvious, especially in the face of pressure from environmentalists.

**More and more people are denouncing the airline as a public boondoggle and an ecological aberration, at a time when some taxpayer-funded aircraft are flying half-empty. Such is the case of the Brussels-based NGO Transport & Environment. From its Paris office, air transport specialist Jérôme du Boucher exclaims: "We are calling for a much more local tourism development movement that is not based on these predatory Ryanair and low-cost contracts!** The trend will be towards a slowdown in air traffic development, which calls into question the development model of these airports, based on strong traffic growth." The capital is far from being the only place to protest.

On the ground, many players are multiplying petitions and other cries from the heart in the local press to denounce what they consider to be absurd situations. In Saint-Etienne, the Forez Agir association is calling for the closure of the airport, which last year received 1.5 million euros in subsidies to transport just 4,500 people! In Occitanie, Christine Arrighi



, the ecologist deputy responsible for transport in the French Assembly's Finance Committee, is annoyed: "Having airports close to each other makes no sense and is costly for local authorities. And with good reason: her region boasts the highest airport density in the country, with ten sites including Nîmes, which is designed to handle 800,000 passengers, but only 252,290

**In the face of criticism, the defenders of regional airports are not short of arguments.** What would Clermont-Ferrand do without its airport, asks Sabine Granger, director of the five local airports operated by concessions giant the Vinci Group. The dilapidated rail line causes major delays," she observes. This airport, which employs 2,500 people, is necessary for Michelin and for the aeronautical maintenance companies located there."

(...)

**These groups have some choice allies: all over France, elected representatives and influential figures are defending their airport.**

(...)

## **Stock market press review**

### **> Air France KLM: disruptions set to last?**

(source Boursier) November 14, 2024

**My comment:** *While analysts admit that the Olympic Games effect is cyclical, they are worried about unmanaged unit costs and the risks weighing on KLM's business at Schiphol.*

*Many of them have lowered their medium-term price targets.*

#### **Read the article:**

Air France KLM recovered a modest 1% to 7.60 euros on Thursday, while **JP Morgan maintained its 'overweight' recommendation, with its target cut from 12 to 11.50 euros. Oddo BHF maintained its 'neutral' recommendation, with its target cut from 10 to 9 euros. Morgan Stanley had previously lowered its target price for the airline from 7.1 to 6.45 euros**, citing "difficult" cash generation prospects... At 'Underweight' on the file, the bank cut its Ebit estimates for fiscal 2025 by 15% due to high unit costs excluding fuel, despite the sequential price improvement seen this winter. It notes that weaker cash generation is pushing up net debt, and adds that Air France-KLM's equity represents only 15% of its enterprise value...



**The airline's share price was recently rocked by a quarterly publication deemed disappointing. The group announced quarterly results below expectations, weighed down by rising unit costs and the JO effect.** The prospect of higher taxes in France and at Schiphol next year is also worrying the market... Still among analysts, UBS spoke of "headwinds", "but hopes that the bottom will soon be reached". Bernstein had lowered its target to 14 euros, but remained at 'outperform', while Barclays adjusted its sights to 8.5 euros with an 'in-line weighting'.

## **End of press review**

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

**Air France-KLM shares** closed at **7.78 euros** on Friday November 8. Over the week, it is **down sharply (-11.69%)**.

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 10.66 euros** (it was 15.0 euros at the beginning of January 2023). The highest price target is 17.50 euros, the lowest 7.10 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 quarterly results have investors worried. Higher-than-expected costs and KLM's situation explain the decline, more than the announcement of the solidarity tax increase.*

### **> Fuel price trends this week**

**The price of a barrel of Jet Fuel in Europe is down (-\$3) to \$89.** It was \$94 at the end of June 2023, and \$79 before the outbreak of war in Ukraine.

**Brent (North Sea) oil is up (\$1) to \$74 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:*** *Oil remains virtually stable this week.*

## > **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 how the various Air France FCPEs are managed, please [visit the Air France-KLM Employee Share Ownership 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...**

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# | François Robardet

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