

AF-KLM to help Indigo serve Europe



## I Letter from François Robardet

# Air transport in France, Europe and the world

N°1019, June 2, 2025

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## Editorial

*Dear readers,*

*The Annual General Meeting of Air France-KLM will be held tomorrow, Wednesday June 4, 2025 at 2.30pm at the Van der Valk Paris CDG Airport Hotel - Zone Industrielle Paris Nord II - 351 avenue du Bois de la Pie, 95700 Roissy-en-France. It will be webcast live on the Group's website.*

*All documents relating to the Annual General Meeting are available on the Air France-KLM Group website, on the Shareholders page, under Annual General Meeting. These include the resolutions that will be put to the vote of shareholders.*

***As in previous years, I invite those of you who are Air France-KLM shareholders to give me your proxy.***

***You have until 3 p.m. today, Tuesday June 3, to do so.***

***You will find the procedure in my [Flash n°104](#).***

*I'd also like to take this opportunity to remind you that [on my blog](#), you'll find weekly updates on the Air France-KLM share price and the oil price.*

*You'll also find all the information about the investment funds reserved for Air France employees.*

*You'll also find all my letters, as well as a space dedicated to sustainable aviation.*

*Thank you for your trust and loyalty.*

*Happy reading!*

*François*

## ***The weekly newsletter***

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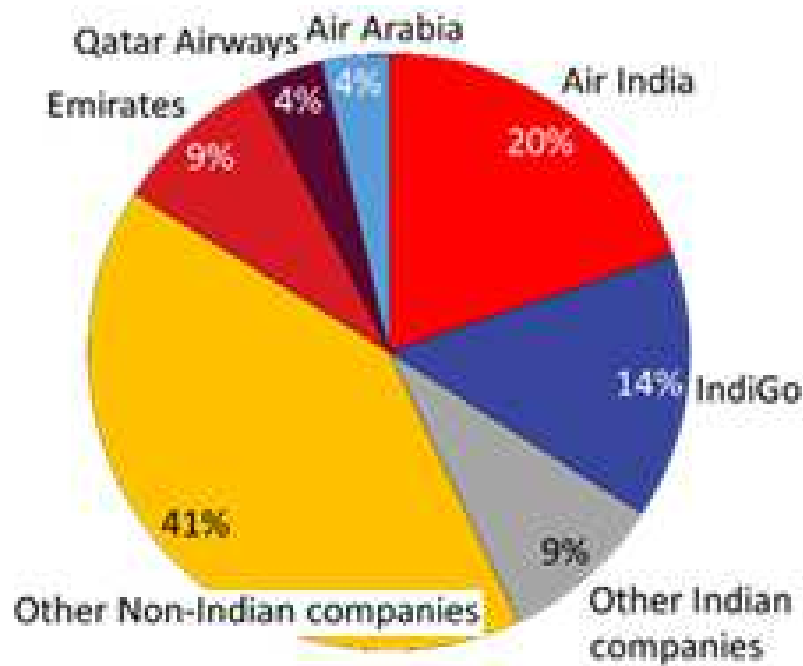
To prevent China from competing with Boeing and Airbus, the USA blocks delivery of an engine to the Chinese manufacturer

### **> Air France-KLM to help India's Indigo fly to Europe**

(source Les Echos) June 1, 2025

***My comment:*** For a long time, the development of Indian airlines' long-haul network has come up against numerous obstacles: inadequate airport infrastructure, low appetite for international travel, and lack of political will.

*This vacuum benefited foreign airlines, which handled the majority of international traffic, as illustrated by this infographic from 2022.*



*But those days are over.*

*In February 2023, India - one of the world's most dynamic economies - announced a vast investment plan to develop nearly a hundred airports by 2024.*

*New airports have been built, while existing infrastructures have been modernized and expanded.*

*Indian airlines now have the resources they need to expand their international operations.*

*Against this backdrop, for Air France-KLM and its partners, forging a partnership with an Indian airline had become essential in order to maintain, or even strengthen, their position on the Indian market.*

### **Read the article :**

India is the new promised land of air transport, and IndiGo CEO Pieter Elbers is its herald. The former KLM CEO, now CEO of India's leading airline, took advantage of the International Air Transport Association's annual general meeting in Delhi to demonstrate **the importance of the Indian market**, and of IndiGo in particular.

**This was illustrated on Sunday by the announcement of an order for 30 Airbus A350 long-haul jets, which will be added to the 30 purchased in 2023, as part of a historic order for 500 Airbus jets. But also by a commercial agreement with Air France-KLM and its main partner, the American Delta, in the presence**

of Benjamin Smith and Ed Bastian, **who will help Indigo launch its first routes to Europe next July**, starting with Amsterdam and Manchester. This will be followed by London, Athens and, one day, Paris.



**Indigo** and the Indian market, in which the company holds a 40% stake, have a lot going for them. **In less than 20 years, it has become a giant, with total traffic of 118 million passengers by 2024, over 430 aircraft and more than 2,200 daily flights. The equivalent of Air France-KLM.**

**This is just the beginning,"** says Pieter Elbers. Our aim is to gradually move from regional operator to global airline by 2030, continuing to grow at the rate of one new aircraft per week by 2030, and to exceed 200 million passengers."

A legitimate ambition **given the explosion in demand for air travel in India, which has supplanted China in the hearts of international airlines.** Indigo's growth is inseparable from that of the Indian economy, which is set to become the world's third-largest by 2030," acknowledges Pieter Elbers. Since the end of Covid, **air traffic in India** has grown by 20%, from 202 to 242 million passengers in 2025, including 164 million on domestic routes. It **should double again by 2030, to over 510 million passengers, including 160 million on international routes.**"

This formidable growth is underpinned by India's population, "which is growing by 12 million passengers a year, equivalent to the population of my home country [the Netherlands, editor's note]", Pieter Elbers points out. But there's also plenty of room for catching up. **"In terms of the number of seats per capita, domestic air travel in India is still 5 times lower than in China and 24 times lower than in the United States,"** he explains.

**As for India's international traffic, it remains largely dominated by foreign airlines,** notably European, "which provide 65% of flights, compared with 35% for Indian airlines", he adds. Hence Indigo's ambition to restore the Indian flag to its rightful place in world air transport.

He wants to develop direct "low-cost" traffic on the domestic and international markets, as well as a new "premium" offer, with business class, frequent flyer program and connecting flights, on the long-haul market. 65% of the world's population lives within a 5-6 hour flight of India," he points out. And 90% of the Indian population lives within an hour of an airport served by Indigo."

## > Negotiations with KLM fail, ground staff actions threaten

(source FNV) May 27, 2025

**My comment:** *The wage freeze at KLM had been imposed by the Dutch government, as a condition for granting loans during the Covid crisis.*

*Other requirements included the elimination of variable compensation for executives, resulting in a reduction of half, or even two-thirds, of their annual income.*

*Since then, KLM has fully reimbursed the subsidies received during the pandemic, enabling these restrictions to be lifted.*

*However, the recent reintroduction of variable remuneration for executives has provoked strong criticism, including from the government.*

*This decision was perceived as unequal treatment between senior executives and ground staff, rekindling discontent among unions and employees.*

### Read the article:

**Negotiations between FNV union and KLM fail.** After more than 20 rounds of negotiations on a new collective agreement for KLM ground staff and an action on May 12, the gulf between KLM and the union is too wide. FNV members unanimously decided to take action at the May 27 action meetings.  
(...)

At the action meetings, **it was decided that FNV Luchtvaart would issue an ultimatum to KLM.** If the airline has not met the workers' minimum demands by 12:00 on June 13, action will follow.

The will to act is strong, and preparations are underway. This is not a threat, but a wake-up call for KLM," said Van Dorland. Our members are ready to act - and they

mean it.

Among other things, the union is asking KLM to move away from the zero line [note: **KLM does not want to grant any wage increases for two years**] and to commit to the possibility of carrying out heavy work (RVU). The workers also want the exceptional bonus paid by KLM when the company reaches a certain operating margin to be restored to its previous level.

KLM has one last chance to reverse the trend. The shares will only be suspended if the company is prepared to meet the workers' demands before the ultimatum expires.

### > Eberhart reassures: ITA to remain independent, no merger with Lufthansa

(source Finanza) May 29, 2025

**My comment:** *ITA seems to be discovering how the Lufthansa Group works.*

*A spin-off from Alitalia, ITA has cooperated for many years with the Air France-KLM Group, whose organization differs fundamentally from that of the Lufthansa Group.*

*Air France-KLM operates as a holding company, bringing together two main airlines: Air France and KLM. Strategic decisions are taken at holding level, where both entities are represented.*

*In contrast, the Lufthansa Group is structured around Lufthansa itself, which owns several airlines such as Swiss, Brussels Airlines and Austrian.*

*In this configuration, decisions are largely centralized at Lufthansa, relegating the other airlines to a secondary role.*

*Joerg Eberhart, current CEO of ITA, knows both the Lufthansa Group and Italian culture well, having headed Lufthansa's Italian subsidiary Air Dolomiti for several years.*

*His declared determination to preserve ITA's independence as an Italian airline is intended to allay concerns in Italy about a possible dilution of their national airline within the Lufthansa group.*

## Read the article:

When it comes to Europe's skies and airlines, things get even more interesting when **ITA Airways** comes into the picture. The company, born of the ashes of a historic Italian tradition, **now finds itself at the center of a challenge that is not just industrial, but profoundly cultural: how to maintain an autonomous, independent and recognizable company, while intertwining its destiny with that of a giant like Lufthansa?** The subject, far from trivial, has become even more topical following recent statements by Joerg Eberhart, the company's CEO, at the Fit-Cisl congress in Santa Margherita di Pula.

Eberhart, with the lucidity that distinguishes him, laid his cards on the table: collaboration with the German group must be seen as an opportunity, but not at the cost of losing that flexibility and creativity that represent the lifeblood of the Italian carrier. **"Let's leave ITA as it is, as we did with Swiss"**, he stressed, drawing a clear line between the need for operational synergies and the risk of homologation. Here, **the watchword seems to be independence**: a concept that goes beyond simple corporate management and translates into a way of being in the market that is profoundly different from that of the Teutonic partners.

ITA Airways: talk of a possible comeback

But **the game is also** - and perhaps above all - played **on the brand front. And here's the hot topic of the possible return of the Alitalia brand.** A name that, for many Italians and others, represents something more than just an airline: it's a symbol, a piece of national history, a calling card that brings with it an international recognition few other brands can boast. Eberhart did not close the door on this possibility, quite the contrary: **"It would be a mistake not to evaluate this opportunity"**, he declared, while admitting that managing two parallel brands would require significant investment and a well-calibrated strategy.

It's not just a question of names or logos, but of what they evoke in the collective imagination. **ITA Airways, with its modern, technical approach, represents the desire to innovate and look to the future. Alitalia, on the other hand, carries on its shoulders the weight - and honor - of a tradition rooted in the country's history.** Bringing these two souls together is no simple matter: it requires balance, it requires courage, and above all it requires the ability to listen to the market without betraying its essence.

After all, in an increasingly competitive and globalized European aeronautical landscape, knowing how to make the most of one's own particularities is the real key to standing out from the crowd. And here we return to the question of corporate identity, which cannot be reduced to a simple question of management. Rather, it is a philosophy, a way of conceiving service and customer relations, which must combine innovation and tradition without falling into the trap of self-referentiality.

**ITA Airways' strategy therefore seems to be moving in a very specific direction: to create operational synergies with Lufthansa, making the most of the opportunities offered by integration, but without sacrificing the cultural specificities** that make Italian service unique. In this sense, flexibility and creativity become not only an added value, but a real trademark. It's no coincidence that Eberhart cited the example of Swiss, a company that has managed to retain its own identity while remaining part of a major international group.

But the future, as so often happens, remains to be written. Meanwhile, ITA Airways continues on its path of consolidation, trying to build a business model capable of meeting the challenges of the global market without losing sight of its roots. **The debate between the two brands is not just a marketing issue: it reflects a deeper tension between past and future, between what we have been and what we want to become.**

In conclusion, **the challenge for ITA Airways** lies not only in the **European skies, but also - and perhaps above all -** in the ability to assert a strong, recognizable corporate identity, capable of combining the heritage of the Alitalia brand with the drive for innovation. A subtle but necessary balance to keep flying high without losing sight of what makes the Italian company truly unique. And, as so often happens when we talk about Italian excellence, the game is still up for grabs - with courage, vision and a pinch of that creativity that has always set us apart.

**> For Ryanair CEO Michael O'Leary, "a bonus that looks set to be one of the most lavish ever awarded in Europe".**

(source Le Monde) May 30, 2025

**My comment:** *The CEO of Ryanair has just been awarded an extraordinary bonus of 100 million euros.*

*This announcement has prompted reactions from analysts and consultants.*

*Analysts at Barclays point out that Ryanair's CEO is both judge and jury in the case. His share buyback policy - another 750 million euros announced in May - would be likely to support the company's share price, and thus trigger the bonus.*

*This despite the fact that Ryanair's annual results were less good than in previous years: profits fell by 16% year-on-year and prices dropped by 7% - while passenger traffic rose by 9%.*



## Read the article :

When it comes to transparency, bosses' pay packages are often hidden behind formulas so convoluted that they're impossible to calculate without a PhD in law and applied mathematics. But **in 2019** - and again in 2022 - **Ryanair's Board of Directors promised CEO Michael O'Leary an exceptional bonus based on a simple indicator: the Irish low-cost airline's share price had to close above 21 euros for twenty-eight consecutive days.** Bingo! The Ryanair boss has just landed a bonus of 100 million euros, and he can thank Donald Trump.

On Thursday May 29, Ryanair shares closed at 23.7 euros, marking the 28th day of a flight above 21 euros. This entitles Mr. O'Leary, 64, to buy shares in the company at low-cost prices, but at no additional cost.

**The emblematic executive**, credited with transforming a small regional airline into a European leader since 1994, **will have to wait until the end of his contract, in July 2028, to pocket the loot**, the exact amount of which will depend on the value of Ryanair shares in the following months. This bonus is set to be **one of the most lavish ever awarded to a company in Europe.**

How has the American president contributed to Mr. O'Leary's fortune? **The recent surge in Ryanair's share price owes much to the fall in oil prices**, with fuel purchases accounting for up to a third of a low-cost airline's operating costs. The price of a barrel of oil began to fall in January 2025, **when Mr. Trump announced his intention to massively increase tariffs**, raising concerns about global growth. This downward trend was accentuated by Saudi Arabia's decision not to cut production.

Another consequence of the White House's aggressive policy is that European tourists are reluctant to cross the Atlantic for their summer vacations. This bad news for Air France, Lufthansa and Delta, on the other hand, is good news for Europe's number one short- and medium-haul airline. The expected influx of passengers this summer means that Ryanair can even count on fare increases.

A few weeks ago, when asked about the legitimacy of this approaching bonus, Mr. O'Leary pointed out that English Premier League footballers and managers were "paid between 20 and 25 million euros a year". The story doesn't say whether players have to pay a baggage supplement when they "take a suitcase".

> To prevent China from competing with Boeing and Airbus, the USA blocks the delivery of an engine to the Chinese manufacturer.

(source BFM) June 2, 2025

**My comment:** On several occasions I've published the infographic below. It shows how much the manufacture of the Chinese C919 depends on Western equipment manufacturers.



The engine is not the only component affected by the delivery freeze: the radar, APU, flight control system, flight recorder and landing gear are all supplied by US companies.

After blocking deliveries of Boeing aircraft to China, the U.S. President backed down.

Will the same scenario apply to components for the Chinese C919?

Read the article :

**A halt to China's momentum in the airliner market? The U.S. Department of Commerce has decided to suspend the sale of certain U.S.-made aircraft equipment, notably the LEAP 1-C engine.**

This engine is used by China's Comac (Commercial Aircraft Corporation of China) to power its C919 single-aisle aircraft, which aims to compete with Airbus and Boeing in the strategic medium-haul segment.

Although **the C919** is a Chinese-built aircraft, it **incorporates many imported components**, notably its engines manufactured by CFM, a joint venture between

the American GE Aerospace and the French Safran.

This decision, revealed by the New York Times, was confirmed to Reuters. **The Ministry of Commerce explained that it** was examining "exports of strategic importance to China" and **suspending export licenses for certain technologies** for the duration of this review.

A spokesman for the Chinese Embassy in Washington told Reuters that the United States was "abusing export controls" to hold back Chinese industry. And he denounced a "malicious blockade".

**The C919 is China's arm in breaking the Airbus/Boeing duopoly in aircraft manufacturing.** Comac intends to take advantage of the massive demand from Western airlines, while Boeing and Airbus are struggling to increase their production rates, leading to major delivery delays. This is provoking anger among their customers.

However, while the aircraft is benefiting from solid orders in its domestic market, it is not yet certified to fly in Europe and North America.

(...)

International certificates of airworthiness (notably from EASA in Europe) are essential to enter the global market.

## *End of press review*

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

**The Air France-KLM share price** closed at **9.682 euros** on Friday May 30. Over the week, it has **risen sharply (+14.07%)**. It was 13.60 euros on January 1, 2024, 8.23 euros on July 1, 2024, and 7.604 euros on January 1, 2025.

**The analysts' 12-month average (consensus) for AF-KLM shares is 8.88 euros** (it was 17.50 euros at the beginning of January 2024). The highest price target is 12.50 euros, the lowest 7.00 euros.

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

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

Below is the share price trend over the last 5 years.



**My comment:** This week's sharp rise in Air France-KLM's share price has enabled the Group to narrow the gap slightly between itself and its main competitors.

However, there is still a long way to go to reach a more favorable valuation. This will largely depend on the Group's ability to significantly reduce its debt levels.

### > Fuel price trends this week

**The price of Jet Fuel in Europe is down (-\$3) to \$81 a barrel.** It was \$94 at the end of June 2023, and \$79 before the outbreak of war in Ukraine.

**Brent (North Sea) oil is stable at \$64 per barrel.**

From mid-February 2022 to the end of July 2022, it yo-yoed between \$100 and \$120. Since then, it has oscillated between \$75 and \$99.

**My comment:** US tariff decisions have caused oil prices to fall.

It is now at a record low.

### > CIPF management

When you invest in one of Air France's FCPE funds, you obtain shares in these funds. You don't own 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 my navigation website, under the heading Air France-KLM employee share ownership](#).*

## More information

**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 enable 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.

To read my last letters, [click here](#).

**If you like this letter, please pass it on.**

New readers can receive it by [sending me](#) an e-mail address of their choice.

## | François Robardet

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

(Air France-KLM's raison d'être)

**I represented current and former Air France-KLM employees.  
You can find me on my twitter account @FrRobardet and on LinkedIn.**

This newsletter deals with the airline industry worldwide and topics related to Air France-KLM's shareholding.

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