The digital health pass tested by Air France

Letter from the Director of Air France-KLM

François Robardet Representative of employees and former employees PS and PNC shareholders

N°799, March 15, 2021

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Monday's Press Review

Will the digital "health pass" tested by Air France be generalized for air travel?

(source L'Obs) March 11 - **The Minister of Transport**, Jean-Baptiste Djebbari, **said on Thursday 11 March that the "digital health pass" that Air France will test on its routes from Paris to Guadeloupe and Martinique, could be a "prefiguration" of a sesame essential for travel.**
(...)
Air France is to test from this Thursday, and for one month, a "digital health pass" on its routes from Paris to Guadeloupe and Martinique, to "improve the experience of its customers and make their journey through the airport more fluid.
The results of the negative Covid test, required for travel, will be authenticated via a partnership with a laboratory and recorded securely on an application.
(...)
"There will certainly be health protocols that will require either a test or a vaccination certificate" to fly, said the minister. Hence the usefulness of these applications "in connection with laboratories, which simplify travel". **As for the obligation of a vaccine to take the plane, "this discussion has not yet taken place at the political level", he noted.**
(...)

My comment: *The digitization of the documents required for registration should reduce waiting times.*

Those who are reluctant to see their medical data in computer systems should be reassured: the use of the AOKpass application is based on voluntary participation.

> Hoekstra houdt vast aan extra zetel in bestuur Air France-KLM (Hoekstra asks for an extra seat on the board of Air France-KLM)

(source FD, translated with Deepl) March 11 - **The Dutch state has still not given up its desire to have a second representative on the Air France-KLM board**. Currently, the cabinet is allowed to delegate one representative to the nineteen-member board. The Netherlands is considering requesting a second as part of its support for the troubled airline group.
This "consideration" appeared Wednesday in a short statement that the Dutch state sent to the French stock exchange authority, the AMF. The statement was necessary because of the Netherlands' increased control in the aviation group. **Two years ago, the Netherlands bought a 14 percent stake for 744 million euros. After two years, these shares give the right to increased control, according to the statutes of Air France-KLM. To be precise, it is now 18.56%.**

At the time of the acquisition of this stake, the outgoing Minister of Finance, Wopke Hoekstra, stated that he wanted to obtain an additional seat on the board of the holding. That was the objective of the negotiations last summer for a 3.4 billion euro loan. But in return, the French state said KLM would limit its appointment rights to fewer than the three it currently has.
It failed to secure that seat. Last summer, Mr. Hoekstra succeeded in getting an agent appointed to KLM in exchange for the 3.4 billion euros in aid. His job is to ensure that the funds are spent correctly.
(...)
According to the Ministry of Finance, the announcement at the French AFM must however be disconnected from the discussions on the Air France-KLM capital request. A spokesman added that the French have already made important commitments last June, which allow to better preserve the hub function of Schiphol.

It is doubtful that an additional seat will make much difference in control. **The Air France-KLM board has 19 members**, most of whom are

French. On behalf of the Dutch government, Dirk Jan van den Berg, a former senior civil servant and currently chairman of the Dutch Health Insurance Association, sits on the board. Also on the board on behalf of KLM are Leni Boeren (ex-Robeco), Alex Wynaendts (ex-Aegon) and Cees 't Hart, the CEO of Carlsberg who is also chairman of the KLM supervisory board.

My comment: *Since April 3, 2016, in application of the so-called "Florange Law" to encourage long-term investment in French companies, shareholders who have held their shares in registered form for more than two years benefit from a double voting right.*

The Dutch state, which acquired 14% of Air France-KLM's capital in February 2019, has been affected since last month. It now holds 18.56% of the voting rights, which it will be able to use at the next general meeting of Air France-KLM shareholders. This will take place on Wednesday 26 May 2021, behind closed doors if the health situation so requires.

Moreover, the Air France-KLM Board of Directors has not four but five Dutch directors.

The above article failed to mention Mathi Bouts, an employee director appointed by the European Works Council (on the recommendation of the KLM Works Council).

While the French are the most numerous (11 directors), the board also includes a Chinese director, a US director and a director with dual British and Canadian nationality.

> In the United States, airlines on track for a relaunch

(source AFP) March 10 - **US airlines**, plagued by a collapse in air traffic since the start of the pandemic, **will get a new lifeline** with Joe Biden's economic stimulus plan and are starting to prepare for a traffic rebound. **The $1.9 trillion plan, given final approval by Congress on Wednesday, includes $14 billion for the airlines**. In exchange, they have pledged not to lay off anyone by October. This third wave of massive support to the sector should allow them to keep their heads above water until airline ticket sales really start to rise again.
(...)
According to the A4A, their debt increased by 56% in 2020 to $164 billion.

(...)
Lacking the ability to rely on lucrative business travel, which is still far from recovering, companies are adapting.
JetBlue has added flights to Miami and Key West in Florida or Los Cabos in Mexico, popular tourist destinations. To reassure passengers, Delta has extended its middle seat blocking until the end of April. Several airlines have waived fees for cancelling or changing flights. Others are placing new orders to be ready to line up planes when traffic returns.
United Airlines, for example, has ordered an additional 25 Boeing 737 MAX aircraft, to, according to its chief operating officer Andrew Nocella, "not only survive the crisis, but thrive."

In a sign of this optimism, Boeing announced Tuesday that it had recorded more aircraft orders than cancellations in February for the first time since November 2019.

Virgin Atlantic still gets funding to hold on until traffic resumes

(source AFP) March 15 - The British airline **Virgin Atlantic has obtained a new financing of 160 million pounds from its shareholders**, including the Virgin Group, to last until a significant recovery of air traffic hoped for in the summer.
(...)
This sum, which will allow to inflate the treasury and to reduce its debt, will be received in the form of loans from its shareholders and deferred payment of debts.
The Virgin Group, owned by billionaire Richard Branson, will inject 100 million pounds. It is the majority shareholder of Virgin Atlantic with 51% of the capital, Delta Airlines holding the remaining 49%.
This financing follows the raising of 230 million dollars in January through the sale of two Boeing 787s, which the company will now lease.
The company believes it now has the necessary liquidity until the expected resumption of flights this summer, and even hopes to return to profit in 2022.
(...)
Virgin Atlantic, which specializes in transatlantic flights, is one of the British companies that has suffered the most from the pandemic. It even came close to bankruptcy before concluding a 1.2 billion pound recapitalization plan. The company cut 4,700 jobs, compared with 10,000 before the pandemic.
In contrast, **its cargo division, which transports goods, recorded a record year in 2020** thanks to strong demand since the beginning of

the health crisis from companies wanting to maintain their supply chain.

***My comment:** The Virgin Atlantic company found itself close to bankruptcy in 2020. Its CEO had repeatedly injected funds, a necessary condition to get help from the British government. Delta Air Lines had also participated in the rescue of the company.*

> In the "new normal", Lufthansa will favour long-haul flights with reduced capacity

(source Le Journal de l'Aviation) March 9 - The prospect of a return to service of Lufthansa's A380s is receding. (...) On the other hand, while investments have been reduced by two-thirds, the fleet will undergo a major transformation.
As far as the A380s are concerned, the group's presentation does not give them any hope of flying again under the German company's colors. It indicates that, of the three models of very large aircraft that were flying before March 2020, only the 747-8 are part of the plans for what the group calls "the new normal". Both the A380 and the 747-400 are excluded.
(...)
In total, **the Lufthansa Group's network airlines will retire eight long-haul aircraft types to simplify their operations and reduce costs**. The 777-200ER (Austrian Airlines), A340-600 (Lufthansa), A340-300 (Lufthansa, Swiss and Edelweiss), A330-200 (which will remain with Eurowings Discover), 767-300 (Austrian Airlines) and MD-11F are also destined to be grounded. Thus, 115 intercontinental aircraft will be retired and the Lufthansa group estimates that four-engine aircraft will represent less than 15% of the group's fleet by the middle of the decade. Another measure being evaluated is the retirement of all aircraft over 25 years old.
At the same time, **two new types will be introduced into the flight program: the Boeing 787 and the 777X**. The delivery of the twenty Triple Sevens has been postponed to 2023-2025, but **Carsten Spohr has confirmed the introduction of Lufthansa's new business class for 2022**. It could therefore first fly on 787s. If the distribution of Dreamliners among the group's companies has not yet been decided, its CEO said that some of them would join the German company: with the withdrawal of 747-400s and A340-600s in particular, it "will be in great need of long-haul aircraft of smaller capacity. Twenty 787s have been acquired on firm order and will be delivered between 2022 and 2025, and the group holds options on twenty additional aircraft.
(...)
Carsten Spohr recalls that the group operated 770 aircraft before the

crisis (...). 500 aircraft are grounded. Some 350 should remain grounded in 2021, 250 in 2022, while all should be back in the air in 2023, except for the 150 whose final withdrawal has been decided. Thus, **in 2024, 90% of the offer existing in 2019 should be restored**.
But Lufthansa is ready for this summer. **The group** hopes to be able to offer at least 50% of its capacity by March and is even ready "to quickly reactivate 70%". It **believes that the population is ready to travel: if the restrictions are relaxed, demand will return**.

However, he expects the decline in business travel, "a downward trend for several years," to accelerate. **Before the crisis, business travelers represented about 30% of the group's passengers, but more than 45% of its revenues. Half of them will not return, according to Carsten Spohr. He is not too worried about this since the group will reduce its offer along with its capacities and he believes that competition will be less fierce with the coming consolidation that he considers inevitable.**

My comment: *The health crisis will have put an end to the operation of four-engine aircraft, which consume too much kerosene, and accelerated the renewal of the fleets of the major airlines.*

These new aircraft, which consume less kerosene than their predecessors (15 to 20% less), will enable airlines to reduce their CO^2 emissions proportionally.

> The United Kingdom wants to lower the tax on airline tickets to help air transport

(source AFP) March 10 - **The British government announced on Wednesday that it wanted to reduce the tax on airline tickets for domestic flights**, to the great joy of a sector that has been devastated by the pandemic and despite the country's promises on climate change.
(...)
This measure, requested for many months by the sector, intends to accompany the expected recovery of air transport after the pandemic which has dealt a very hard blow to companies and airports. Boris Johnson also wants to support the regions outside London, whose economic activity depends in part on local airports, and respond to one of his campaign promises to reduce territorial inequalities in the UK.
(...)
The environmental movements (...) **denounce a measure that goes against the government's promises to reduce CO2 emissions**. "Next time they will tell us that airports need to be expanded to meet the

emerging demand. The government needs to recognize the reality that the aviation sector needs to be smaller than it was before the pandemic," says Doug Parr of Greenpeace.
(...)
The government, which will launch a consultation on this tax on airline tickets in the spring, assures that it will continue to reduce emissions from air transport, notably by insisting on the use of cleaner fuels. At the same time, he is announcing an investment of $20 million to explore road and rail upgrades.
(...)

My comment: *Already in January 2020, to save Flybe from bankruptcy, the British government declared that it would revise downwards the domestic tax on air tickets. For domestic flights, this tax amounts to 13 pounds in leisure class and 26 pounds in business class (15 and 30 euros respectively).*

At the time, the CEO of IAG (the parent company of Iberia and British Airways), was very vocal. For him, it was a "flagrant abuse of public funds". One year later, a health crisis later, his opinion is quite different.

Overall domestic and international flights, the tax on airline tickets (Air Passenger Duty) has brought the British Treasury 3.7 billion pounds (4.3 billion euros) in 2019.

> When Boeing is a little too interested in the safety of Airbus aircraft

(source Le Journal de l'Aviation) March 9 - But what could have bitten Boeing by attacking the rear center tank of the Airbus A321XLR? **Executives from the U.S. aircraft manufacturer have publicly attempted to put pressure on EASA regarding the RCT that will equip the new long-haul variant of the A321neo.**

The problem of the rear central tank integrated into the fuselage is not new to airliners, and EASA had already indicated that it would impose special conditions for the certification of the aircraft. As you may recall, the A340-500's rear center tank had already met with considerable resistance from the FAA in the early 2000s. But the U.S. agency played its role to the fullest, while questions from a direct competitor may seem out of place, to say the least.
(...)
By taking over from the FAA, the U.S. aircraft manufacturer has once again shown how complex its relations with the American

regulator still are.

What is certain is that Boeing still has no answer to the success of the A321XLR (more than 450 have been ordered), while the new European long-haul narrow-body aircraft could even benefit more from the situation of the airlines after the crisis. **The abandonment of the NMA in favor of a hypothetical new program that could be launched at the end of the decade offers Airbus a real boulevard.**

To put it simply, Boeing should probably have kept its own house in order.

My comment: *Boeing's setbacks with the B737 Max led it to abandon its NMA (New Midsize Aircraft) project. This aircraft was supposed to be the answer to the Airbus A321XLR.*

Note: RCT stands for Rear Centre Tank

> AerCap-GECAS: the birth of an aircraft leasing monster

(source Le Journal de l'Aviation) March 12 - Aengus Kelly, AerCap's CEO, is not a newcomer to the industry, but this time it is a real earthquake that shakes the world of commercial aircraft leasing, and more generally the entire airline industry.
By agreeing to take over GECAS, AerCap will create an aviation asset management behemoth with a portfolio of more than 2,000 commercial aircraft, nearly three times the number of aircraft managed by its closest competitor, Avolon. The combined company also owns or manages more than 900 engines and more than 300 helicopters.
As you may recall, AerCap previously acquired the heavyweight ILFC from U.S. insurer AIG in 2014, a deal that was already aimed at competing with GE Capital Aviation Services (GECAS), General Electric's leasing business. **So now the Dutch leasing company will take over GECAS for more than $30 billion** (€25 billion), a deal that is expected to close in the fourth quarter of 2021.
(...)
This tie-up between the world's two largest leasing companies is a sign of a general trend that became more pronounced with the outbreak of the pandemic last year. Airlines are increasingly using leasing to acquire aircraft for their fleets, even if it means carrying out "sale and lease back" operations with lessors to free up valuable cash.
Aengus Kelly warned last November that the share of leasing companies in the world's commercial aircraft fleet would continue to grow over the next few years, reaching over 50% by 2023. This

share was only 44% at the beginning of last year.

The merger of the AerCap and GECAS businesses will necessarily have repercussions throughout the industry and throughout the life cycle of the aircraft involved (transition, maintenance, airworthiness follow-up, modifications, etc.). It will also create a new balance of power with manufacturers, and in particular with Airbus and Boeing, especially on prices. As of March 12, the combined company had at least 490 aircraft on firm order with the two aircraft manufacturers: 173 with Boeing and 317 with Airbus.

My comment: *The size of the AerCAP-Gecas group is impressive: 2,000 aircraft.*

This size would be a strength in normal times. But it could become a weakness if the recovery from the crisis is as slow as expected.

The new AerCAP-Gecas group could find itself with a plethora of aircraft to lease and few customers for many years.

> Roissy Airport: after several years of work, Terminal 2B should reopen this summer 2020

(source France Bleue) January 14, 2020 - Terminal 2B at Roissy-Charles de Gaulle airport, which was closed in April 2013, should reopen this summer 2020 after several years of renovation work and with an extension. A building has been specially created to connect with Terminal 2D.
This is one of the largest construction projects currently underway at the Paris airport. In total, 77,500 square meters of space will be renovated or created, which represents 15 soccer fields. Terminal 2B and the connecting building should be able to accommodate up to 5.5 million passengers per year, as many as before its closure in 2013. There will be no more passengers for the time being, according to the management of the Aéroports de Paris (ADP) group, nor any additional airlines assigned to the terminal. Those who have been dispatched elsewhere in recent years should find it in a few months.
But before that, the work must be completed. **On site, we can begin to visualize and imagine the future boarding lounges**, the security control areas, the counters of future airlines with a more modern decoration, more airy thanks to touches of wood on the walls and lighter and warmer colors. In **short, a modern touch** for this terminal designed in 1972 by Paul Andreu. Additional volume was also added thanks to a five-meter extension on the runways.

The second part of the project concerns the junction building, which will not only be a transit area between the two terminals 2B and 2D. It will have its own function and will house security control areas. We are going to put in all the innovations that will make passengers' journeys smoother and therefore save time and comfort," explains Edward Arkwright, executive director of the ADP group. "**For example, the border crossing, with facial recognition that will allow passengers to pass through the control in ten seconds**". Ideal for the traveler in a hurry.
Those who have more time and want to occupy themselves before boarding their plane will be **able to discover the 5,200 square meters of shops and restaurants, all in an atmosphere reminiscent of "a Parisian covered market"** or small touches of decoration reminiscent of the architecture of the capital's metro.
(...)

CDG Terminal 2B ready to reopen

(source Le Journal de l'Aviation) March 12 - **The renovation of terminal 2B at Roissy CDG airport and the building linking it with terminal 2D are completed and ready to open**. The handover of the keys by Bouygues to the ADP group took place in February. Initially, the structure, which has been closed since 2013, was to be brought back into service by the end of 2020, but the health and economic crisis has caused the timetable to slip.

My comment: *Among the companies using this brand new terminal is easyJet. The low-cost airline will benefit from a considerable asset to boost its activity at the Paris airport.*

Biofuels: European low-cost carriers want to extend the obligation to long-haul flights

(source L'Echo touristique) March 15 - **European low-cost carriers, aviation companies and NGOs have expressed concern about policy proposals to limit the scope of the European Union's ReFuel EU Aviation initiative to only intra-EU flights**. The new legislation, to be proposed by the Commission, is expected to require the aviation sector to blend a percentage of sustainable aviation fuels, or SAF, with kerosene-based fuel.
In a letter, sent to Vice President Frans Timmermans and Transport Commissioner Adina Vălean, **the coalition (including Ryanair, EasyJet or even Wizz Air) (...) calls for a collective effort**.

"In addition, non-EU flights and long-haul hub operations are already excluded from many European environmental policies, such as the greenhouse gas emissions directive. Many European environmental policies such as the Emissions Trading Scheme (ETS)," explains the coalition.
The signatories therefore call on the European Commission to ensure that the use of SAF does not delay the development of zero-emission propulsion (i.e. hydrogen or electricity).

The EU's SAF policy will only have a significant impact on aviation emissions if we all do our part, including long-haul operators who are the biggest source of emissions," says Johan Lundgren, CEO of easyJet. SAF is only an intermediate step for short-haul carriers. Our ultimate solution is zero emission propulsion. That's why it's crucial that there are specific incentives for zero-emission technologies like electricity and hydrogen. So we need to avoid all resources being drawn to FAS, which does not fully solve the problem. »

My comment: Today, *all planes fly with the same fuel: kerosene.*

What will happen in the coming decades?

During the Air and Space Academy webinar (late last week) the question was addressed. Contrary to the claims of the low-cost airlines cited in the article, flying airliners on hydrogen or electricity appeared unrealistic by 2050.

Only sustainable aviation fuels (biofuels or synthetic fuels) seem to be able to meet the requirements of the Paris climate agreements.

Experts say that, technically, it is now possible to produce synthetic fuel from CO2 and renewable energy.

But this type of fuel is much more expensive than kerosene. For a synthetic fuel production chain to emerge, governments will have to set high usage quotas.

Stock market press review

> Oil: Total CEO doesn't see prices staying at $70

(Reuters source) March 8 - **Total CEO** Patrick Pouyanné on **Monday said it was unlikely that crude oil prices would stay at their current**

levels of $70 a barrel.
"I'm not betting on $70 all year. **I think the right price for oil is rather between 50 dollars and 60 dollars a barrel**," he said on the BFM Business channel.
The price of a barrel of Brent crude crossed the $70 mark on Monday for the first time since the start of the pandemic, and U.S. light crude (WTI) hit a more than two-year high **after attacks by Yemeni Houthi forces on oil facilities in Saudi Arabia**.

End of the press review

> Advice for employees and former employees who are shareholders

The annual statements from Natixis and/or Société Générale must be sent to you by e-mail or by post.

You will find on my website the access modalities to the managers' websites.

To avoid forgetting to change your contact information each time you change your postal address, **I advise you to enter a personal e-mail address**. It will be used for all correspondence with the management organizations.

Keep all the documents related to your Air France-KLM shares in one place: all the letters you receive from the different managers, Natixis, Société Générale, your personal financial institution if you bought your shares through it.

> My comments on the Air France-KLM share price trend

Air France-KLM shares closed at **5.238 euros** on Monday 15 March. It is down -1.58% over one week.
Since the end of November 2020, the share price has remained around 5 euros.

Before the coronavirus epidemic, Air France-KLM shares were at 9.93 euros.

The average (consensus) analysts' price for AF-KLM shares is 3.31 euros. The highest price target is 5 euros, the lowest 1 euro. You can find the details of the analysts' consensus on my blog. I do not take into account the opinions of analysts prior to the beginning of the health crisis.

The barrel of Brent crude oil (North Sea) **is stable at $69.** It has been rising steadily since the end of October 2020 and is now back to its pre-pandemic level.

This information is not intended to be 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 better carry out my duties as a director of the Air France-KLM group.

You can ask me, by return, any question relating to the Air France-KLM group or to employee share ownership...

See you soon.

To find the last press reviews of Monday, it is [here]

If you like this press review, please pass it on.

New readers will be able to receive it by [giving me] the email address of their choice.

| François Robardet

Director of Air France-KLM representing the employees and former employees shareholders of PNC and PS.
You can find me on my twitter account @FrRobardet