SNCF CEO wants a kerosene tax on aviation

I Letter from the Director of Air France-KLM

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

N°837, December 6, 2021

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Editorial

Dear readers,

Air France employees will receive their 2019 profit-sharing in the next few days. This profit-sharing should have been paid at the end of 2020. An agreement between the unions and the management of Air France had allowed Air France to temporarily relieve its cash flow by postponing the payment by one year.

The employees concerned have received a letter or an e-mail from Natixis giving them until December 14, 2021 to indicate their preference:

==> INVEST: I save and benefit from a tax exemption==>
INVEST AND RECEIVE: I invest part and receive the other part
==> RECEIVE: The amount goes into my taxable income

In case of no answer, the amount will be automatically saved on the PEE (on the money market fund) and thus blocked for 5 years.

To avoid forgetting to change your address every 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 bodies.

Thank you for your loyalty.
François

Monday's Press Review

> SNCF CEO wants a kerosene tax on aviation: "trains are not expensive, it's the plane that's not expensive enough" (Farandou)

(source La Tribune) December 1 - The time when the heads of the SNCF, Air France and Aéroports de Paris discussed cooperation between planes and trains in a peaceful manner seems long gone. However, it was **only a few months ago**, on 21 June to be exact, when Jean-Pierre Farandou, **the CEO of the rail company, came to the Paris Air Forum to debate with Anne Rigail, the** CEO of Air France, Augustin de Romanet, the CEO of ADP, and Florent Menegaux, the CEO of Michelin, **on the theme of "how to reconcile the train and the plane**". A few days earlier, in La Tribune's "T" magazine, he confided on this subject:
"The relationship with air transport will always be ambivalent. We are in 'coopetition'. But **this competition is a bit outdated and it is preferable to enter into a logic of complementarity**. The law can certainly set the cursor for this complementarity, but we must work with the airlines to develop it.
Today, far from this benevolent discourse, **Jean-Pierre Farandou has brought out the heavy artillery against aviation, calling for more taxes on its competitor in the air.**
"It's not the train that's too expensive, it's the plane that's not expensive enough," he explained to the National Assembly's sustainable development committee, after being asked about the high cost of train tickets compared to air travel on certain destinations in France. He asked: "Do we charge the cost of the carbon impact of the plane ticket or not?", adding:
"**I don't understand why airlines are exempt from any tax on kerosene**. I pay taxes on my energy, on my diesel fuel..."
(...)
While Jean-Pierre Farandou is factually correct in pointing out the absence of taxes on kerosene, he forgets that air transport is one of the most taxed sectors, sometimes more than others when it is the only one to pay the Chirac tax to finance health programmes in certain developing countries. Or when it has to pay colossal sums to finance drastic security measures, while the railways are asked to take much lighter measures which are, moreover, financed in large part by the taxpayer. Above all, Mr Farandou fails to mention that Air France and Easyjet offset all their carbon emissions on domestic flights.
The airline industry is also likely to point out that the carbon footprint of trains must take into account the CO2 emissions linked to the construction of high-speed rail lines and the regeneration of

the rail network. A calculation that would reduce the gap between the two modes of transport regularly cited by the SNCF. According to figures from Ademe, the French Environment and Energy Management Agency, aircraft emit 80% more CO_2 than trains. This is due to the share of nuclear power in France's electricity.
Finally, by explaining that the SNCF is not expensive, Jean-Pierre Farandou is going to rekindle the debate on the high cost structure of the railway company and its productivity.
The SNCF boss also regretted that European long-distance road transport is exempt from any carbon tax. "If I had one wish to make, it would be to think about extending carbon taxes to all transport activities," he said.

My comment: *What is it that has bitten the CEO of the SNCF?*

Reactions have been numerous. The FNAM (Fédération Nationale de l'Aviation et de ses Métiers) reminded us that airlines are heavily taxed.

The FNAM thus took the example of a Paris-Nice ticket by plane, sold for 90 euros (median fare 2018). Multiple taxes and fees (about ten) amount to 48 euros, not counting the cost of carbon offsets. As a reminder, Air France offsets all carbon emissions on the domestic network since 2019.

For his part, the Minister Delegate for Transport, Jean-Baptiste Djebarri, replied to the CEO of the SNCF: "I can't hide my astonishment at hearing you once again express your anti-aircraft position when the State has never invested so much in the railways. And the Minister added that "trains and planes are complementary", even accusing him of launching a counter-productive polemic.

I will not comment further. However, I invite you to listen to the scientist Aurélien Barrau on youtube in his video entitled "Quelques maux sur la SNCF". It's very interesting.

> KLM code-shares with ITA Airways

(source Air Journal) December 6 - **KLM** Royal Dutch Airlines **has signed a code-share agreement with ITA Airways**, allowing each to benefit from the other's network beyond Amsterdam and Rome or Milan. As with the similar agreement signed with the now defunct Alitalia, the Dutch flag carrier will be able to offer ITA Airways flights under the KL code to more destinations in Italy and South Eastern Europe. KLM passengers will be able to travel with ITA via Rome-Fiumicino or Milan airports to eight 'new destinations': Palermo, Reggio Calabria, Bari, Brindisi, Lamezia-Terme and Trieste in Italy, as well as to Malta and the Albanian capital Tirana.

(...)
ITA Airways, which officially took off on October 15, will enjoy access to "a large number of European destinations" under the AZ code, including destinations in the UK and Scandinavia.
"It is **very good news that KLM and ITA Airways were able to reach an agreement so quickly after the loss of Alitalia**, allowing them to work together on European routes. Italy is an important market for the European airline industry, both for business and leisure travellers. Partnerships like this are important for our ability to provide the best possible service to our customers, who travel through Schiphol from all corners of the world," **said Pieter Elbers, CEO of the Dutch airline in the SkyTeam alliance**.
ITA Airways has officially joined the SkyTeam alliance, alongside Air France-KLM, Delta Airlines and China Eastern Airlines, among others, and like Alitalia before it.

My comment: *The cooperation between Alitalia and the airlines of the Air France-KLM group has had its ups and downs. While attempts at a capital merger have all failed, commercial agreements have always been beneficial to the partners.*

The agreement signed between ITA and KLM should also benefit both companies.

> Airbus sells A220, A320neo and A330neo to Italia Trasporto Aereo (ITA), big contract!

(source Capital) December 1st - New commercial success for Airbus. **The former Italian airline** Italia Trasporto Aereo (ITA) has **ordered 28 aircraft: 7 A220 single-aisle aircraft, 11 A320neo and 10 A330neo long-haul aircraft**. A contract that confirms the memorandum of understanding announced on 30 September. At the latest list price published in 2018 by the aircraft manufacturer but never applied in reality due to discounts granted, the transaction amounts to nearly 4.7 billion euros. "In addition, the Italian airline will continue its plans to lease A350s to complete its fleet upgrade," Airbus added in a statement.
ITA, which began flying on October 15, **had signed an agreement with aircraft leasing company Air Lease Corporation (ALC) at the end of September for an additional 31 new-generation short-, medium- and long-haul Airbus aircraft**.
(...)

My comment: *ITA, by purchasing new aircraft, is equipping itself with the means to respect the commitments made with the European Commission regarding the reduction of CO2 emissions.*

> China approves Boeing 737 MAX modifications

(source Journal de l'Aviation) December 1 - **China has just issued an airworthiness directive that will soon allow the Boeing 737 MAX to return to the air after more than two and a half years of downtime**.
No date for the return to service has been given, but operators are reportedly preparing for early next year.
The CAAC says that after conducting a sufficient assessment, it considers the corrective measures to be "adequate".
The Chinese regulator had conducted a full and thorough technical review of the Boeing 737 MAX in cooperation with the US FAA earlier this year and on-site testing was conducted this summer. **Fifteen airlines are lining up 737 MAXs in China**, aircraft delivered before the March 2019 flight ban. Boeing, for its part, had said that nearly a third of the roughly 370 737 MAX aircraft in storage were already destined for Chinese customers.

My comment: *The approval covers the two operational versions of the B737 Max: the B737-8 (189 to 197 seat capacity) and the B737-9 (200 to 215 seat capacity).*

The B737-10 (219-230 seat capacity), which is undergoing certification in the United States, is not affected.

> Monumental success for Dassault Aviation as it places 80 Rafales in the United Arab Emirates

(source Journal de l'Aviation) December 3 - It was a historic contract that awaited Emmanuel Macron during his official visit to the United Arab Emirates. **Abu Dhabi is ordering 80 Rafale fighter jets from Dassault Aviation, a firm contract estimated at €14 billion, not including the weapons that will also be supplied**. This is the largest order ever signed by Dassault Aviation, and one of the largest defense contracts ever signed by France. It is also more aircraft than initially planned in the call for tenders (63).
(...)
The United Arab Emirates is the sixth country in the world to acquire Rafales, in addition to France, confirming the multiplication of export contracts for the Dassault Aviation fighter jet since 2015.
(...)
The Rafale acquisition contract is accompanied by a specific contract for its armaments with MBDA (Mica NG air-to-air missiles and Black Shaheen
cruise missiles). The US Air Force will thus be the second user of the Rafale F4. In total, the overall contract is worth more than 16 billion euros.
(...)

The CEO of Dassault Aviation also announced that this new contract will now have to "more than double" the current production capacity of the fighter aircraft in view of its record order book. Thousands of jobs could thus be created over the next few years in the entire ecosystem of 400 companies contributing to the Rafale program.
This year alone, Dassault's fighter jet has been sold once again to Egypt (30 aircraft in addition to an initial order for 24, a contract that took effect on November 15), **to Greece** (6 new aircraft and 12 taken from the French Air Force fleet, with an announcement for another 6 new aircraft) **and to Croatia** (two two-seater and ten single-seater F3Rs taken from the French fleet starting in 2023).
And the Rafale is still of interest to India (potential for 114 additional Rafales), Indonesia (36) and Finland (tender for 64 aircraft).

My comment: *The question is always the same: do the jobs created in France justify the sale of arms, especially if the buyer has little respect for human rights?*

> Airbus: CMA CGM orders 4 A350F cargo aircraft

(source Boursier) November 22 - CMA CGM Group and Airbus have signed a memorandum of understanding for the purchase of four A350F freighter aircraft. This order, which is expected to be finalized in the coming weeks, will bring the Airbus fleet operated by CMA CGM to 9 aircraft, including 5 A330-200Fs.
The aircraft will be operated by CMA CGM AIR Cargo, CMA CGM's recently launched air cargo business.

My comment: *The CMA CGM Group is a world leader in maritime transport, with a fleet of nearly 600 vessels. It has the financial means to succeed in air cargo.*

Its new aircraft are expected to be based at Roissy Charles de Gaulle, making it a serious competitor for the Air France-KLM group.

End of the press review

> Payment of the 2019 Air France profit-sharing scheme. Advice for employees and former employees who are shareholders

The employees of Air France will receive these days the profit-sharing 2019. This profit-sharing should have been paid at the end of 2020. An agreement between the unions and Air France management has enabled Air France to temporarily relieve its cash flow by postponing the payment by one year.

The employees concerned have received a letter from Natixis giving them until 14 December 2021 to indicate their preference:

==> INVEST I save and benefit from a tax exemption*
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To avoid forgetting to change your address every 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 bodies.

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

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

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

Air France-KLM shares closed at **3.953 euros** on Monday 6 December. **It has risen sharply this week by +4.47%.**

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

The average (consensus) analyst price for AF-KLM shares is 3.29 euros. The highest price target is 5.5 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.

Brent crude oil (North Sea) is **up slightly this week by $1 to $74.**

At the end of October 2020, it was at a low of $37.

At $86 on October 25, Brent reached a level not seen since 2014, supported by supply disruptions and underlying demand. Natural gas prices continue to rise to their highest level in at least seven years. Investors seem to feel that hydrocarbon producers have cut back too much during the pandemic so that demand pressure is unbalancing the market.

This indicative information does not constitute an invitation to sell

or a solicitation to buy 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 employees and former employees who are PNC and PS shareholders.
You can find me on my twitter account @FrRobardet