9.50 tax does not destabilize the airline industry

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

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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

Dear readers,

The quarterly results of Europe's leading airlines are starting to be published.

I'll be commenting on them next week.

This week, in addition to the interview with the French Transport Minister, I'd like to draw your attention to the Libération dossier on Qatargate.

It highlights the suspicions hanging over Estonian Henrik Hololei. Then Director General in charge of transport at the European Commission, he is said to have profited from the Emirate's largesse while leading negotiations on an "open skies" agreement with Qatar Airways.

Enjoy your reading
François

Monday's letter

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> A 9.50 euro tax will not destabilize the airline industry (François Durovray, Minister of Transport)

(source La Tribune) October 28, 2024 - *The strengthening of the solidarity tax on airline tickets (TSBA, known as the "Chirac tax"), has provoked strong reactions from the airline industry.*

Is there, as the industry claims, a risk of limiting traffic growth, or even reducing passenger numbers?
FRANÇOIS DUROVRAY **- This tax can be explained in a context where, as the Prime Minister has said, we have to fight both the budget debt and the climate debt**. We abandoned the idea of VAT, which would have affected only French airlines and penalized our tourist destinations, to concentrate on the solidarity tax on airline tickets, distinguishing between different types of flight according to destination and service category.

I don't think that, for flights within Europe, a tax of 9.50 euros would upset the balance. Nor do I think that 120 euros for a Paris-New York business-class flight, offered at several thousand euros. And I always make the comparison between the price of a train ticket and the price of certain plane tickets: many French people don't understand why the former is more expensive than the latter in the case of a number of low-cost airlines. The additional cost of 9.50 euros will still be absorbable in relation to the price of the ticket.

Is the same true for business jets, where the amounts can go up to 3,000 euros per passenger?
I'm still holding final discussions on business aviation, to consolidate the model.

Is there still room for improvement, or is the target of one billion euros generated by the increased tax set in stone?

There's a proposal on the table, and I trust Parliament will be able to amend it within the framework we've defined. The Prime Minister has asked everyone to make an effort and respect the budgetary framework. **We were then able to make the framework evolve in terms of application**. All my colleagues and I discussed with our respective sectors to try and find the most suitable format.

The solidarity tax on airline tickets was created to finance the Solidarity Fund for Development (FSD) and help the least-favored countries. This earmarking will disappear with the PLF 2025. What will the proceeds of this increased tax be used for? And will the so-called "eco-contribution", intended to finance rail network regeneration, be preserved?
The transport sector contributes to the State budget, like other sectors. It's only natural that it should finance education, defense and other public services that have no revenue. But budgetary support for the SDF and the least-favored countries will be maintained - it's just that our organic law no longer allows us to earmark revenues for unrelated purposes.

My aim is to maintain a balance between the resources generated by transport and the State's commitment to financing infrastructure, supporting the sector and decarbonizing it. Over the past few years, the gap has widened between revenue and expenditure covered by the State, and we must eventually return to a trajectory that is assumed by the entire sector.
The eco-tax remains earmarked for the Agence de financement des infrastructures de transport de France.

Do you already have a position on the forthcoming revision of the European directive on energy taxation, which could potentially lead to taxation of kerosene?

France has been in favor of taxing kerosene at European level as part of this directive for several years. If kerosene taxation is adopted, we will of course have to reconsider the rest of the tax burden on air transport.

The privatization of the ADP group has been put on hold because of Covid. In the current budgetary context, could the subject be put back on the table? Not least because of the change in governance.

The subject was closed at the time of Covid. I think it's legitimate to raise the question of the State's holdings in certain companies, but at this stage the subject is not on the table.

Aéroports de Paris is preparing for a new page in its history, with a change of CEO early next year. We are currently in the phase of collecting candidatures. At this stage, I would like to pay tribute to the work of Augustin de Romanet, who has transformed the Group in the space of ten years, and done so in a remarkable way. He overcame an unprecedented crisis with Covid, preserving jobs and bouncing back. ADP has improved the quality of services for users in France, and established itself as a benchmark internationally.

At the last Paris Air Show, French President Nicolas Sarkozy promised 300 million euros a year for the Civil Aeronautics Research Council (Corac) until 2027, to work on carbon-free aircraft. However, this budget has been cut by 17 million euros in 2024 and potentially 70 million in 2025...

The State's contribution to Corac, which represents a major effort in the current budgetary situation, should provide both stability for public action and visibility for the industry, which is committed to the search for low-carbon solutions. What is at stake is France's ability to continue to lead the world in aeronautics. We are currently finalizing the last arbitrations.

There are many research programs that involve the entire industry, not just the four major prime contractors (Airbus, Dassault Aviation, Safran and Thales). Continued support from the French government is essential if all these programs are to be carried through to completion, and if we are to meet the challenge of the low-carbon aircraft.

How can France speed up the decarbonization of the sector? In particular, there's the question of sustainable fuels (SAF), volumes of which are currently too low and prices too high. Will this require greater support for production, or even purchasing?

It's obviously a subject that's on my mind, and one that I'm discussing with Éric Trappier (CEO of Dassault Aviation), Guillaume Faury (Executive Chairman of Airbus) and many other players in the industry. **The Prime Minister mentioned the need to accelerate the biofuels sector in his general policy statement. And it's not just a French issue, as other European Union countries are in a similar situation.**

It's clearly an issue I'd like to tackle in order to find the right vector for developing FAS production. Purchase subsidies are part of the range of solutions - at least they are in the USA, where production is expanding rapidly - but they are not the only one. This subject is part of a constrained budgetary context, but we need to find solutions in the coming year.

There are also underlying issues of sovereignty...

The aim is to enable European aviation to be supplied with sustainable fuels produced in Europe. This is not the case today. On the other hand, the United States has a head start, thanks to a public budgetary mobilization that is out of all proportion to what is being done in Europe.

The decarbonization of aviation, and of other sectors, must not be seen solely in terms of constraints or additional costs. Today, we are highly dependent on energy production in foreign countries. This has an impact on our balance of trade, on the purchasing power of the French, with crises when prices soar, and on our sovereignty. **The difficulty lies in mobilizing capital at the outset**. But once this stage is over, we need to be able to produce at controlled costs. This is good for the planet, good for purchasing power and good for our sovereignty.

Last week, you were in Toulouse to announce that start-up Aura Aéro had received a €95 million European grant for its regional hybrid-electric aircraft project. Could the emergence of such projects be a turning point for the decarbonization of aviation?

We are well aware that **aviation**, like other industrial sectors, **needs to make a shift if it is to make a success of the ecological transition**. Aviation accounts for 3% of global greenhouse gas emissions. **With the production of half the world's aircraft, France has a particular capacity for action in this sector**. If we succeed in decarbonizing it, we will reduce greenhouse gas emissions by more than France, which accounts for 1% of global emissions.

We are fortunate to have highly committed companies such as Airbus, Thales and Safran, of course, but the challenge is the entire industry. That's why Aura Aero is so interesting, starting with an electric two-seater and then, in a few years' time, a 19-seater hybrid regional jet. This shows that there are players, entrepreneurs who are moving into this niche to develop technologies that will play a role for the entire aeronautical industry and, what's more, provide solutions for regional development. Getting from Le Puy to Rennes or from La Roche-sur-Yon to Dijon will always be complicated by car or train. If we want these regions to continue to find their place in the national space, it's important to find appropriate solutions.

My comment: *No one is convinced by the Transport Minister's explanations aimed at minimizing the impact of the tripling of the solidarity tax.*

Is it still possible to reduce this increase? The main pilots' union thinks so, and is calling a strike against the tax.

But nothing is less certain.

It's worth pointing out that the breakdown of the tax increase across the different ticket types (eco, premium, business) and flights (long-haul, medium-haul) has evolved in recent weeks.

Discussions have produced a result that preserves the Air France business model as far as possible, but not that of the low-cost carriers, including Transavia France.

On this subject, please refer to my letter n°987.

QAs for the other subjects raised during the interview, there's no need to dwell on them. The new Transport Minister has not yet delved into the issues.

> Amsterdam-Schiphol to increase charges by 37% over three years to finance modernization

(source Air Journal) November 3, 2024 **- Amsterdam-Schiphol airport, hub of Dutch airline KLM, will increase its airport charges by a total of 37% over three** years to partly finance planned modernization work.
As a result, airlines operating at Amsterdam-Schiphol will pay its operator Royal Schiphol Group an average of 15 euros ($16.31) more per departing passenger in 2027 than they do today, the airport confirmed in a statement. The increase in charges will jump by 41% next year, by 5% in 2026, and fall by 7.5% in 2027.
In August, **Amsterdam**
Airport **Schiphol said it would invest €6 billion between now and 2029 in what it called at the time the biggest modernization and expansion plan in its history**. Increased charges will help finance some of the work. "Thanks to these charges, Schiphol makes possible the necessary investments in good infrastructure, better services for passengers and airlines, and better working conditions," explained Royal Schiphol Group.

The operator also indicated that it would use the budget raised to reduce noise pollution, and that night flights would be subject to additional charges. "Charges for quieter aircraft will be cheaper, while older, noisier aircraft will cost airlines more (...) There is a category of aircraft that make so much noise that they will be banned from 2025".

My comment: *In the project unveiled by Amsterdam-Schiphol airport, noise pollution and greenhouse gas emissions are taken into account when setting tax levels.*

Newer aircraft, which are less noisy and consume less kerosene than their predecessors, will be taxed less than older aircraft.

Marjan Rintel, CEO of KLM, agrees that improvements to airport facilities are necessary and that the project is a step in the right direction, provided that costs remain within reasonable limits.

She points out, however, that higher fares will mean more expensive tickets, which could weaken Schiphol's competitive position as an international hub.

> Lufthansa Technik to invest over €1 billion to win new market share

(source Journal de l'Aviation) October 30, 2024 - Lufthansa Technik, the MRO division of the Lufthansa Group, has decided to invest more than €1 billion over the next few years to win new market share worldwide. These expenditures will be allocated to the Americas, Asia-Pacific (APAC) and the EMEA region (Europe, Middle East and Africa).

The world's number 1 Airline MRO, a direct competitor of AFI KLM E&M, was sparing with details on the subject, confirming however its intention to grow in North America and Asia as part of its Ambition 2030 strategic plan.

Lufthansa Technik also indicates that it is relying on inorganic growth to achieve its objectives, such as the recent acquisition of an 80% stake in ETP Thermal Dynamics in Tulsa, Oklahoma.
(...)
In the first nine months of the year, Lufthansa Technik
's sales rose by 13.9% to 5.5 billion euros. For the first time this year, it should pass the 7 billion euro mark. The German maintenance company has also signed 523 new contracts since the start of the year (587 in the same period last year).
In recent weeks, **Lufthansa Group CEO**
Carsten Spohr **has announced plans to invest in new maintenance and repair capacities in Southern Europe, Portugal and Spain**, a strategy designed to relieve the company's Hamburg center while at the same time acquiring qualified skills that have become hard to find in Germany. LHT is particularly interested in the growing need for MRO in the single-aisle engine sector.

My comment: *Lufthansa's strategy for its industrial maintenance activities (MRO stands for Maintenance, Repair, and Operations) is well known: develop its activities outside Germany, while upgrading the skills of personnel in Germany.*

This strategy is in line with the outlook for air traffic growth. It will grow mainly in Asia and Africa, while stagnating in Europe and the United States.

Let me remind you of the OECD forecasts for air traffic between 2015 and 2050 (published in my newsletter n°930):

. Africa: traffic multiplied by 9.5

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Asia: traffic multiplied by 8

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China + India: traffic multiplied by 6.8
.
Europe + Turkey: traffic multiplied by 1.7
.
Latin America: traffic multiplied by 4.4
.
Middle East: traffic multiplied by 3.2
.
North America: traffic multiplied by 2
. Pacific: traffic multiplied by 2.3

> Boeing: agreement reached to end strike, employees get 38% pay rise over four years

(source Libération) November 5, 2024 - Seven weeks on strike have paid off. **Striking Boeing workers accepted a new draft labor agreement on Monday evening (November 4), including a 38% pay rise over the four-year term of the social agreement.** After rejecting two offers, IAM-District 751, a branch of the machinists' union (IAM), said it had approved the agreement by 59%, with a wage increase very close to its demands.

This is Boeing's fourth offer since the beginning of September, but the third put to a vote by its members. The first, rejected on September 12 by almost 95% of union members who also voted for an immediate strike, provided for a 25% increase, whereas the union was demanding 40%. Boeing then proposed 30%, then 35% and finally 38%. Union leaders had recommended ratification of the first offer, arguing that they had no guarantee of obtaining more with the continuation of the walkout.
The Group also reinstated an annual bonus (4% of annual salary), increased the ratification bonus (from $3,000 to $12,000) and increased the contribution to the funded pension plan. He maintained his commitment to manufacturing his next aircraft - expected in 2035 - in the Seattle region, the birthplace of Boeing, which represents a guarantee of tens of thousands of jobs for several decades. On the other hand, many employees were also hoping for the restoration of the scheme with guaranteed-amount retirement pension - 42% of current union members had it -, abolished by a social agreement in 2014 in favor of a funded scheme. But for Boeing, this backtracking is inconceivable as "excessively expensive".
The strikers, who have been without health insurance since late September, have been receiving $250 a week from the union since the fourth week of the strike, and some have been relying on food banks to get by. (..
.)
Kelly Ortberg, head of the group since August, said he was "delighted" that an agreement had been reached. "The past few months have been difficult for all of us, but we're all part of the same team," he said in a message to

employees. "There is much work to be done to recapture the excellence that has made Boeing an iconic company," he added.
According to Anderson Economic Group, **this is the costliest strike in the U.S. this century, with more than $11.56 billion in direct impact since September 13, including $6.50 billion in lost revenue for Boeing and $2.87 billion for its suppliers.**
The end of the strike is crucial for Boeing, which is in dire financial straits, as the walkout has paralyzed the two plants producing the 737 - its flagship aircraft - the 777, the 767 and several military programs. Boeing's customers were also awaiting a resolution to the industrial dispute.
(...)

My comment: *According to analysts, the shortfall ($6.50 billion) could be made up in the next few months, with the resumption of deliveries of medium-haul B737s and long-haul B777s, some 60 of which could not be delivered during these seven weeks.*

Last week, Boeing was forced to raise $21 billion by issuing new shares and convertible bonds.

This enabled the company to restore its cash position after the cash hemorrhage caused by the Alaska Airlines 737 Max crisis and the 7-week strike, and to avoid a downgrading of its financial rating, which would have further increased its debt burden.

> Airbus in difficulty: several A220 medium-haul aircraft grounded

(source Capital) November 1, 2024 - Since February 2024, defects in Pratt & Whitney engines have led to the grounding of five Air France Airbus A220s at Toulouse Francazal airport. The aircraft remained in place, their engines having been dismantled for inspection. According to the specialized media Flight Global, whose findings are reported by France 3, **some 2,167 aircraft equipped with GTF (Geared Turbofan) engines are affected worldwide**, of which 687 aircraft were grounded in October 2024, representing 30% of the fleet. This crisis mainly affects the 584 Airbus A320neo, 79 Airbus A220 and 24 E-Jet aircraft, significantly disrupting the operations of several airlines.

The problem lies in the durability of the engines, some components of which are wearing out much faster than expected. "The heart of the problem lies in accelerated engine wear. They have a potential of 4,000 to 5,000 flight hours instead of the 20,000 for which they are designed. There's no safety problem, but the deterioration is greatly accelerated," explains a captain interviewed by France 3. Downtime is getting longer, exacerbated by shortages of spare engines and parts.
The situation is further complicated by the fact that repairs are difficult because of

the numerous technical obstacles and the lack of skilled manpower needed to modify the engines. The solution is to replace the damaged combustion chambers, which means dismantling and reassembling the engines from top to bottom, a long and painstaking process.
(...)
The manufacturer Pratt & Whitney plans to solve these problems by retrofitting - i.e. replacing old parts with more efficient components - but this is not scheduled until 2027.

Until then, airlines will have to cope with reduced fleets and substantial financial losses. For Air France, which relied on the A220 to modernize its medium-haul fleet and replace aging A318s and A319s, these delays are affecting its flight plans. **The Air France fleet currently comprises 39 A220s out of a total of 68 firm orders with Airbus, but several aircraft are temporarily out of service.**
(...)

My comment: *Air France has been penalized by the unavailability of its A220s since the start of operations.*

To compensate, the airline has resorted to chartering aircraft with crews from partner airlines, with the resultant increase in costs.

The outlook for improvement remains distant (2027 according to Pratt & Whitney).

> A brighter outlook for Airbus, which remains on course for 2024

(source Les Echos) October 30, 2024 - By a happy coincidence**, Airbus had two pieces of good news to announce on Wednesday**, just before the publication of its quarterly results. **The first was the delivery to Iberia of the first A321 XLR**, the latest member of the A320 family, capable of operating both long- and medium-haul routes. This eagerly-awaited hybrid aircraft could shake up the transatlantic market.

The second piece of good news was the announcement of an order for 60 A321s from Riyadh Air. This multi-billion-dollar contract is also the first order for the new Saudi airline, which is also eagerly awaited. The A320 Family's overwhelming dominance of the single-aisle market has been further consolidated.

But perhaps the most important news for Airbus shareholders and airline customers alike **is Airbus' confirmation of its delivery target for 2024**. This despite persistent doubts about the manufacturer's ability to reach its target of 770 aircraft, revised downwards in June. At the end of September, Airbus had still delivered only 497 aircraft, due to delivery delays by its suppliers.
"It remains tense, given the persistent difficulties in the supplier chain," acknowledged group CEO Guillaume Faury, mentioning in particular the lack of

CFM engines from Safran and GE. "We're not making gliders yet, and I hope we won't start at the end of the year, but engines are scarce," he stressed.
(...)
Against this backdrop, the third quarter showed a marked improvement, with sales up 5% for the Group as a whole, to 15.69 billion euros, and operating income up 50%, to 1.23 billion. Net income also rose by 22% to 983 million euros. Gains at Airbus Aircraft (904 million, up 15%) and Airbus Helicopters (190 million, +33%) more than offset losses at Airbus DS (90 million).
This enables Airbus to confirm its two financial targets for fiscal 2024, i.e. adjusted EBITDA of 5.5 billion euros and positive cash generation of 3.5 billion. However, these targets remain slightly below those for 2023, despite the expected increase in deliveries. While the Group appears to be in a position to meet its commitments, this is clearly still at the cost of additional production costs, which continue to weigh on profitability. This explains the cost-cutting plans launched at Airbus aircraft and Airbus DS.

My comment: *Airbus' situation contrasts with that of Boeing.*

One of the few things they have in common is the future of their defense & space business.

Airbus indicates that the restructuring of its space activities has not yet been completely decided. The European manufacturer continues to analyze different options.

For its part, Boeing is reportedly looking for a buyer for some of its space activities, notably for the Starliner
space capsule, whose setbacks hit the headlines this summer.

Article Bonus

> At the European Commission, senior civil servant Henrik Hololei spoiled by Qatar but not bothered by the law

(source Libération) October 29, 2024 - According to the European Union's Anti-Fraud Office (Olaf), Estonian Henrik Hololei**, one of the Commission's most senior civil servants and then Director General (DG) for Transport, delivered confidential information to Qatar in exchange for luxury vacations and gifts for himself and his family. The information provided concerned the European Union's position during the negotiation of the so-called "open skies" agreement, for which he was responsible. This deal allows Qatar Airways, the Emirate's airline, to have access to the entire territory of the Union since 2021**.

This case of alleged corruption, unprecedented at this level of power, was uncovered by Olaf in a confidential report that Libération was able to consult. However, neither the European Public Prosecutor's Office nor the Belgian criminal justice system, which is competent to deal with cases of this kind, have been called in by the Commission. Yet this potentially damning document has been on the desk of Ursula von der Leyen, head of the European executive,
since July. Clearly, the fear that this scandal could undermine national confidence in the EU's central institution is driving a cover-up.
It all began in February 2023, when Politico revealed that, between 2015 and 2021, Henrik Hololei had been offered nine business-class trips by Qatar Airways and the Arab Air Carriers Organization (AACO), the Beirut-based umbrella group for 37 Arab League state airlines. These gifts were declared on a Commission register to which anyone can have access under transparency legislation. As far as the European executive is concerned, there's nothing unusual about this at this stage: it is indeed foreseen that an inviting power can pay for travel expenses, provided that the Director General approves the mission. In this case, as **Hololei** was invited, he **legally allowed himself to benefit from Qatar's largesse**... Nevertheless, as these flights were offered during the negotiation of the "open skies" agreement, between 2016 and 2019, Olaf opened an investigation in April 2023. Because, as the European Ombudsman, Ireland's Emily O'Reilly, pointed out in an open letter published a month earlier, these trips raise "legitimate questions about possible undue influence on the EU's decision-making process".
The revelation came at a bad time. The European Parliament had been embroiled for several months in **the so-called "Qatarargate" affair - large sums of money, allegedly from Qatar, Morocco and Mauritania, were found in the homes of a vice-president of the Parliament and a former MEP**. Ursula von der Leyen arrived in Hololei at the beginning of April 2023. Pending the findings of the Anti-Corruption Office, the senior civil servant was appointed "political advisor" to the DG in charge of partnerships with third countries (DG INTA, in Brussels novlangue). Reporting only to an assistant, he travels the world representing the Commission at international conferences. A sinecure for which he continues to be paid, according to our information, 23,000 euros net per month, at grade AD 16, 3rd step: the highest possible.

The matter is all the more sensitive in that the agreement with Qatar, which has been provisionally in force since 2021, is still strongly opposed by European airlines and staff unions. And it has still not been ratified by the European Parliament in the wake of "Qatarargate". This is understandable. Intended by the Commission, then headed by Luxembourg's Jean-Claude Juncker, and by the Member States, who voted unanimously in favor of the negotiating mandate, **the agreement offers the Qatari airline a sesame to enter the European airspace, free to land wherever it wishes and to engage in cabotage. In other words, the possibility of taking passengers from Athens to**

Paris, for example.

While it is clearly in Qatar's interest to have access to the EU's 450 million potential travellers, it is legitimate to wonder about the advantage gained by European airlines, which will only have access to Qatar's hub and its 3 million inhabitants... Especially as Qatar Airways is subsidized by the government of the oil-rich emirate, which is no longer the case for European airlines, which are subject to strict constraints in the event of state aid. In other words, a potential conflict of interest between Henrik Hololei and Qatar could scupper this agreement once and for all.

Five-star hotels, "shopping sessions", chauffeur...

However, after a year of investigations, Olaf's investigators found much more than the nine flights declared by Hololei on the Commission's register. In fact, the CEO, who carried out 237 missions abroad during his term of office, traveled, mostly undeclared, on at least 25 occasions at Qatar's expense. But also other organizations, such as AACO, or Arab companies to Morocco, Egypt, Qatar, Kuwait, the United Arab Emirates and Lebanon. And also to Australia, Canada, the United States, Ireland... always in business class. On at least nine occasions, he was accompanied by his wife and, sometimes, their daughter, at Qatar's expense.

Worse still, Hololei and his family were offered five-star stays, with incidental expenses (spa, museum, theme park, etc.) and dinners in luxury restaurants. But also various gifts - so-called "shopping sessions" - and a chauffeur-driven car. **All things he should have refused**. Or, at the very least, declared. Just as he should have declared that his wife accompanied him when his trips were paid for by the Commission, which was the case on at least six occasions.

Olaf shows that Hololei had a long-standing and close relationship with one of Qatar Airways' directors at the time, the German Raphaël von Heereman. Back in 2011, when he was head of cabinet to the European Commissioner for Transport - his fellow Estonian Siim Kallas - Hololei had already asked to be treated to a family vacation in Doha. In December 2018, having become DG of Transport, he did it again. An exchange of e-mails dated that time, from Hololei's private mailbox which he forwarded to his work address, seems to indicate that there have been many other trips in the meantime. The DG inquiring whether the reservation had been made at the Four Seasons Hotel "as usual" and whether his driver would be "Dominic, as usual". "This seems to indicate a certain degree of regularity", noted the investigators.

Another example. From July 10 to 15, 2019, Hololei and his family want to travel to Beirut. He then asked the head of the AACO, central to the negotiations of the "open skies" agreements, to officially invite him "for administrative reasons". All expenses for the trip, which Olaf described as "touristy", were covered by AACO, with tickets issued by Middle East Airlines. Hololei made similar trips to Morocco, Kuwait and Australia, although the Anti-Corruption Office cannot confirm that this is an exhaustive list. Taken together, these trips would amount to several tens of thousands of euros.

"Sensitive internal documents

This is a pure conflict of interest. But the affair took a criminal turn, since, according to Olaf, Hololei had returned the favor to his Arab friends: a potential corruptive link. The Office thus got its hands on a disturbing e-mail sent to Akbar Al Baker, then boss of Qatar Airways, in March 2015, in the midst of preparations for the "open skies" agreement. It contains confidential documents, including the Franco-German position on the agreement, a document on the Union's political priorities and the stages of the forthcoming negotiations. Hololei himself specifies that these are "sensitive internal documents" which should not be circulated.

He also tells his interlocutor that the American carrier lobby (A4A) is up in arms against the project, especially as Qatar Airways benefits from state subsidies, which distort competition. "The United States is more radical than the Europeans", he warns. Yet, according to the Commission's negotiator, Spaniard Carlos Bermejo Acosta, then under Hololei'
s direct orders, there was no official relationship between the EU and Qatar Airways at the time, since negotiations had not begun. In September 2016, the DG even emailed a representative of the Qatari airline, Atti Fathi, the draft "open skies" agreement prepared by the Europeans, another internal document.

Olaf points out, however, that even if Hololei did not have to share these documents, its investigators found no evidence that he had weighed in on the Emirate's behalf, despite his friendly ties with the directors of the Qatari airline or the AACO. The fact remains that **Doha had an advantage, since it knew the red lines of its interlocutors**. When contacted by Libération, Henrik Hololei did not respond.

Another problem with the Olaf report is that it only concerns Hololei
's professional e-mail account. The Office has no access to his private home, computer or personal telephone, as only the courts have such investigative powers. It was only because he sometimes made the mistake of using his professional e-mail account that Hololei, apparently confident of his impunity, was caught red-handed. One wonders then why, in the light of these initial indications of a potential conflict of interest, or even corruption, Olaf did not refer the matter to the European Public Prosecutor's Office in Luxembourg, or to the Belgian courts.

Because in eighteen months, Hololei has had time to clean up its act. This is no doubt due to the refusal of EU institutions to let the European Public Prosecutor's Office stick its nose into their affairs, even though it is responsible for safeguarding the Union's financial interests. For example, the European Court of Auditors, whose members have defrauded the Union's budget, as Libération revealed in 2021, has refused to accept the waivers of immunity requested by the European Public Prosecutor's Office since 2023. Although independent, Olaf remains attached to the Commission, and its director, Finland's Ville Itälä, is himself a former member of the European Court of Auditors, with the rank of Director-General of the European executive. This could discourage the scrutiny of his peers.

The "Estonian network

If Hololei was able to act as he did, it was also because he is one of the most powerful figures in the Commission, a member of what is known in Brussels as the "Estonian network", made up of men trained in the days of the former USSR. His career within the European executive is impressive: Estonian Minister of the Economy between 2001 and 2002, he became head of cabinet for former Estonian Prime Minister Siim Kallas, appointed European Commissioner when his country joined the EU in 2004. A close friend of Martin Selmayr, Jean-Claude Juncker's all-powerful head of cabinet during the Luxembourger's presidency between 2014 and 2019, Hololei was appointed deputy secretary-general of the Commission at the end of 2013, one of the highest positions in the EU executive, before being promoted to director-general for transport in 2015. He remained in the post for eight years, a record in recent history, since DGs are supposed to rotate every four or five years. At his side was another Estonian, Margus Rahuoja, his former deputy chief of staff, promoted to director in his DG, and convicted by Belgian justice of raping one of his subordinates in September 2015. He too felt out of reach: it wasn't until November 2022, following an investigation by Libération, that he was finally dismissed.

Will Ursula von der Leyen dare to put an end to this "Estonian network"? Not for sure. While the Commission is willing to acknowledge that Olaf has completed its work, one of its spokespersons asserts that the Community executive "cannot comment on individual staff issues" and that "the relevant Commission departments are following the procedure prescribed by the Staff Regulations and implementing provisions, while respecting the rights of the persons concerned". In other words, **everything will be handled discreetly internally, despite the seriousness of the matter. Clearly, there is no question of giving arguments to opponents of the "open skies" agreement with Qatar.**

My comment: *For those of you who may have missed this story, we recommend reading the whole article.*

For others, the last paragraph should suffice.

Qatar would continue to have access to the EU's 450 million potential travellers

In return, European airlines will have access to Qatar's sole hub and its 3 million inhabitants.

End of press review

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

Air France-KLM shares closed at **8.81 euros** on Friday November 1. Over the week, it is **down (-3.53%).**

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

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

You can find details of the analyst consensus
on my blog.

My comment: *Investors are awaiting the publication of Air France-KLM's quarterly results on November 7.*

> **Fuel price trends this** week

The price of a barrel of Jet Fuel in Europe is down (-$1) to $92. It was $94 at the end of June 2023, and $79 before the outbreak of war in Ukraine.

Brent crude oil (North Sea) **is down (-$3) to $73**
per 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's 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...

See you soon.

To read my latest letters, click here

If you like this letter, please pass it on.

New readers can receive it by sending me an email address of their choice.

| François Robardet

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

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