

Happy birthday Air France



## | 90 years of Air France ... and elegance

### Flash Info from François Robardet

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

(Air France-KLM's raison d'être)

#sustainableaviation



**former Director Air** France-KLM

Representative of current and former employee shareholders PS and PNC

N°100, October 5, 2023

If you do not see this page correctly, or if you want to read the English or Dutch versions, please contact us.

If you do not see this page correctly, or if you want to read the English or Dutch versions,

Als u deze pagina niet goed ziet, of als u de Engelse of Nederlandse versie wilt lezen,

[follow this link](#)  [, it is here.](#)  [vindt u deze hier.](#) 

***Happy Birthday Air France ... Happy Birthdays Air France ... Gelukkige verjaardag Air France !***

> **1933-2023: the incredible saga of Air France**

(source La Tribune) September 30 - The Concorde marked the history of Air France for almost three decades. At the end of a busy and financially promising summer, Air France has just launched the festivities for its 90th anniversary. We take a look back at the milestones in the airline's history.

Air France is about to celebrate its 90th birthday. Although the official date so far is October 7, the national airline has launched the festivities this Wednesday,

September 26, at Galeries Lafayette. The festivities will continue over the coming weeks, with a tour of Air France's international destinations.

La Tribune takes a look back at nine decades of a rich but eventful history, which has seen Air France become the country's ambassador on every continent, but also the symbol of a company that has struggled to evolve in the face of new competitors as agile as they are formidable. After being supported at arm's length by the State during the health crisis, Air France is now back on the road to profitability, surfing on the current dynamism of air transport to sign up to some record performances. Here's a look back at the milestones in the company's history.



### **1933: Birth of Air France**

On October 7, 1933, more than two years after the scandal of the liquidation of the prestigious Aerospostale, Air France came into being through the decision of Air Minister Pierre Cot to merge four struggling French airlines in the wake of the 1929 crisis. Air Orient was the backbone of the new company, providing it with its emblem, the winged seahorse, nicknamed "la crevette" within Air France. Thus, fourteen years after the creation of the first French carriers, the State - absolute master in awarding airline operating concessions - imposed the monopoly of a single company, admittedly private, but whose vocation was to fly "for the service and honor of our country". Air France was launched with a fleet of 225 aircraft deployed to Europe, the Eastern Mediterranean, South America and the Far East.

### **1948: Max Hymans, President of Air France Reconstruction,** emerges from the war bled to death.

In 1945, the company came under state control, while the French Civil Aviation Authority (DGAC) was nationalized. Three years later, in 1948, Air France became a national airline. Max Hymans was appointed president. It was he who rebuilt the company and made it one of the world's leading carriers.

In addition to the network to the colonies, he opened a number of prestigious routes: Tokyo, Mexico City, Rio de Janeiro, Lima, and focused on North America. Following on from the Paris-New York route launched in 1946, Boston and Montreal soon followed. By the mid-50s, Air France boasted "the most extensive network in the world".

Traffic followed. Between 1946 and 1963, it jumped by 14% a year. At the same time, Max Hymans realized that air transport was on the cusp of a revolution: the jet age, which would pave the way for the democratization of air travel. He ordered twelve Caravelles and ten Boeing 707s, the first of which entered the Air France fleet in the late 50s. The shift to modern air transport was underway.

### **1963: UTA lands in French skies, Air Inter makes its mark**

The financial support of the shareholder-state for Air France (the first profit was not made until 1966), did not discourage the emergence of new private players in French skies. Among them, Air Inter in 1960 and UTA in 1963 are inseparable from the history of Air France.

These two troublemakers eventually fell into Air France's lap in the 90s. Created in 1963 from the merger of TAI (Transports aériens intercontinentaux) and UAT (Union aéromaritime des transports), the famous UTA (Union des transports aériens) went from strength to strength with its network to Africa, the Far East and the Pacific. In 1963, Air Inter, another private airline, made its mark on French skies. Three years after its real start-up in 1960 (a first attempt had failed in 1958), the company was on the way to winning its risky gamble of serving the national territory, forsaken by Air France. With its no-frills service, forerunner of today's low-cost airlines, Air Inter democratizes French air travel. Commercial success followed. Traffic grew by 50% a year. In 1970, Air Inter carried 2.7 million passengers with 40 aircraft.

### **May 19 1968, the pilots' victory**

Pilots at Air France, UTA and Air Inter strike for three days. They demanded a broader remuneration calculation than just the time spent in the air. The management response was excessive. All planes were grounded. The strike drags on for 26 days. The Chaban-Delmas government urges the three presidents to resume dialogue. The pilots won their case. And become a powerful counter-power.



### **1976: Concorde takes off**

On January 21, 1976, Air France puts the Concorde into service on the Paris-Dakar-Rio de Janeiro route, while on the same day BOAC (the future British Airways) launches the supersonic between London and Bahrain. Paris-Caracas and Paris-Washington followed a few months later. Then a year later between Paris and New York, which for economic reasons soon became Concorde's one and only route. A symbol of luxury and exception, Concorde added a "plus" to Air France's image that only British Airways, the other airline to operate the aircraft, could rival.

In July 2000, the Gonesse crash near Roissy, which claimed 144 victims, sealed the fate of the beautiful white bird. In November 2003, its loss-making operation was discontinued.

### **January 12, 1990: takeover of UTA**

During the first half of the 1980s, Air France continued its ascent. By 1984, when Pierre Giraudet stepped down after ten years as president, Air France was the world's fourth-largest airline in terms of traffic, and making a profit.

On January 12, 1990, surely fearing that UTA would come under foreign flag, notably under the wing of British Airways, Air France paid 7 billion francs (1.06 billion euros) to take control of this increasingly aggressive rival. The transaction has another strategic aspect. It enabled Air France to take over UTA's 35.8% stake in Air Inter, giving it more than 75% of the domestic airline's capital, before absorbing it in 1997.

This multi-pronged move ensured Air France's control of the domestic network at a time when the company was implementing its hub strategy. All this while crushing the offensives of new competitors such as AOM and Air Liberté. But the purchase of UTA was also the starting point of a descent into hell that almost brought Air France to the brink of collapse. The acquisition was made without a capital increase, while Air France was investing in fleet renewal, at the dawn of a violent downturn in the industry with the Gulf War in 1991.

One cost-cutting plan followed another. To no avail. Losses mount. Debt reached 36 billion francs in 1993. Air France loses market share. In the summer of 1993, Bernard Attali, at the helm of Air France since 1988, launched yet another cost-cutting plan. This was a major blow for the staff, who went on strike. Demonstrations,

clashes with the CRS on the Orly and Roissy runways - Air France was a powder keg. The Balladur government withdraws the plan on October 24. Bernard Attali resigns.

### **July 27, 1994, 20 billion francs for a Perestroika**

Three days after Bernard Attali's resignation, Christian Blanc becomes chairman of a clinically dead company on October 27, 1994. He involved the staff in rescuing the company, asking them to propose solutions.

On the basis of this consultation, he drew up an uncompromising business plan: a 30% increase in productivity over three years, 5,000 job cuts and a two-year wage freeze.... The text was put to a referendum in April 1994. The "yes" vote won.

Christian Blanc was able to launch the Air France revolution. But to accompany it, he demanded and obtained financial aid from the State shareholder. On July 27, Brussels gave the go-ahead for the French government to recapitalize Air France to the tune of twenty billion francs (3.05 billion euros).

### **April 2, 1996: the Roissy hub, the weapon of reconquest**

On April 2, 1996, Air France opens its Roissy hub. A true strategic weapon, the hub is a system of connections optimized to the max. The flight schedule is organized in such a way that a multitude of aircraft arrive at the airport at virtually the same time to connect, in a very short time, to a wave of departures. A veritable aerial ballet.

These "rendezvous" spread throughout the day enable a maximum number of connections to be made in a very short time, generally between medium- and long-haul flights, with the former supplying passengers to the latter. As early as the 1996 summer program, the hub enabled Air France to increase its range of connecting services at Roissy by 145%. Air France has given itself the means to succeed. Christian Blanc called on two experts in the field. Steven Wolf, former CEO of United Airlines, who brings with him the inventor of the "hub", the Indian-American Rankesh Gangwal. He sets the flight schedule to music. The credo: standardize schedules, standardize aircraft to the same destination, increase frequencies, increase the number of direct flights, do away with hop-on hop-off and close the least profitable stopovers... A veritable cultural revolution.

### **February 22, 1999, the IPO**

Despite a pilots' strike in June 1998 on the eve of the World Cup in France, Air France, managed by Jean-Cyril Spinetta since autumn 1997, posted positive results. Strong enough to prompt Bercy to reduce its stake in Air France. Over 24.4% of its shareholding or that of public shareholders is being put on the market, while 12% is being opened up to employees, including 8% for pilots as part of a salary-share exchange. In the end, the State's share was reduced to 54.4%.

### **June 20, 2000: Air France a pillar of Skyteam**

Jean-Cyril Spinetta takes over the reins of Air France, building on the fundamentals established by Christian Blanc, and launches Air France into a phase of profitable

growth. Isolated on the international scene, in June 1999 Air France convinced Delta Airlines to enter into a strong commercial partnership.

On June 20, 2000, this agreement gave rise to the Skyteam alliance, which also includes Aeromexico and Korean Air, followed in turn by Czech Airlines, Alitalia, KLM, Northwest, Continental (which has now left), Aeroflot and China Southern.

Today, Skyteam is the second of the three alliances, behind Star Alliance (Lufthansa, United) and ahead of Oneworld (British Airways, American...).

### **May 3, 2004: acquisition of KLM**

On April 9, 2003, the law enabling the privatization of Air France appeared in the Journal Officiel. When market conditions permit, the French state will reduce its stake in Air France from 54.4% to "just under 20%". This move away from the State is essential if we are to forge capital alliances with other private European airlines, which are hostile to the idea of coming under the control of a public company.

Five months later, on September 16, Air France and KLM signed a merger agreement. On May 3, 2004, following a successful public exchange offer, the merger became effective. The French state's stake in the new entity is automatically diluted to 44% (28.6% today). Air France is privatized. Together with KLM, it becomes the world's leading airline group in terms of sales. The move was perfect. KLM is a nugget. Its price (800 million euros) is derisory for a company with over 200 aircraft, whose restructuring has already been launched.

The merger began just as traffic was picking up strongly. The Group reaches profit levels unprecedented in Air France's history. In 2007-2008, Air France-KLM posted operating profits of 1.4 billion euros, despite high oil prices. Unfortunately, the crisis that followed the collapse of Lehman Brothers in September 2008 put an end to this golden period. In 2008-2009, for the first time since the merger with KLM and for the first time in 13 years, Air France made a loss. A year later, they would increase tenfold to 1.3 billion euros. Air France is in crisis. The trauma of the AF 447 crash off the coast of Brazil on June 1, 2009, which claimed 228 lives, only served to amplify the doubts that had crept into the company. The false rebound of 2010, and the governance crisis that followed in 2011, will delay the measures needed to kick-start the company's recovery.

### **June 1, 2009, the AF447 accident**

On June 1, 2009, an Air France Airbus A330 on the Rio-Paris route crashed in the South Atlantic between Brazil and Senegal, killing 228 people.

On October 10, 2022, after a two-year search for the wreckage and flight recorders (the famous black boxes) on the ocean floor, a three-year technical investigation and a ten-year trial, Air France and Airbus were found guilty of manslaughter. On April 27, 2023, ten days after the manufacturer and the airline were acquitted, the public prosecutor's office appealed against the judgment.

### **January 2012, the Transform 2015 rescue plan**

The French company's situation is catastrophic. At the end of 2011, shareholders'

equity was so low (less than half the share capital) that, as stipulated by the French Commercial Code, a Board of Directors meeting would be held later that year to decide whether the company should remain in business or cease operations. Air France has two years to recapitalize or reduce its share capital. While symbolic, this says a lot about the state of Air France.

On January 12, 2012, Air France-KLM, launched the Transform 2015 Plan, which aims to reduce debt by two billion by 2015, to 4.5 billion euros through the generation of two billion in cash flow (excluding investments). The plan combines immediate measures to freeze salaries, reduce capital expenditure and improve productivity. The latter involves revising collective agreements with all categories of personnel, with the aim of increasing Air France's economic efficiency by 20%. These measures will lead to an overstaffing of the company, which will be resolved by a voluntary redundancy plan involving 3,400 people. Not enough, however. On September 18, 2013, management announces additional measures to achieve the Transform objectives. To turn around the medium-haul and cargo businesses, these include a reduction in supply and greater recourse to subcontracting at stopovers. A new redundancy plan has been announced. This time it will affect 2,800 people. By the end of 2014, Air France will have cut almost 10,000 jobs since 2010.

### **September 2014, the pilots' outcry**

Early in 2014, Alexandre de Juniac hopes that Air France has eaten its black bread and intends to move from a turnaround phase to a development phase by the end of the year. The main focus of the Air France-KLM CEO is the accelerated growth of Transavia, the group's low-cost subsidiary, which is made up of two entities: Transavia Holland, created in 1965 and owned by KLM, and Transavia France, launched at the end of 2006 by Air France. The aim is to set up a Transavia Europe with bases spread across the Old Continent, like Easyjet or Ryanair, with a doubling of the fleet to 100 aircraft by 2017. Operations are due to start in summer 2015, with locations in Portugal and Germany.

In an already tense social climate, Air France pilots are not having it. Led by the ultra-majority

Syndicat national des pilotes de ligne (SNPL), a strike was called on September 15. In particular, they wanted a single contract for pilots of aircraft with more than 110 seats - which is not compatible with the project's cost-containment objectives - as well as guarantees on the scope of the contract. The harsh strike lasted two weeks, making it the longest industrial action in the company's history.

### **October 5, 2015, the shirt ripped off**

The strike is not without consequences. It cost Air France 500 million euros, the company recorded a sixth consecutive year of losses and the Transavia Europe project was abandoned. The atmosphere remained tense the following spring, when Alexandre de Juniac launched negotiations on the new Perform strategic plan, the successor to Transform 2015. In September, in the absence of an agreement with

the unions, management launched an attrition "Plan B", announcing a 10% reduction in long-haul activity, the cancellation of aircraft orders and the departure of 1,000 employees in 2016 and 1,900 in 2017, with the threat of forced redundancies.

The news ignites a firestorm: members of the management team are attacked by furious employees in front of the head office in Roissy. The images of two Air France executives climbing over a fence to escape, including the HR director Xavier Broseta, are shown around the world. The exposure was disastrous for the company.

Despite this episode, both Air France-KLM and Air France are finally back in the black. Management relaunches the Perform plan in early 2016. While the departure of 1,000 employees has been confirmed for the current year, a growth scenario is taking shape for the future. In broad terms, it's a replica of the plan proposed a year earlier, but with a new method that restores the place of social dialogue.

### **August 16, 2018, the appointment of Benjamin Smith**

The climate does not remain calm for very long. Alexandre de Juniac resigned in April 2016 to take over as CEO of the International Air Transport Association (IATA), visibly exhausted by the impossibility of reforming Air France in depth. Jean-Marc Janailac succeeded him at the head of Air France-KLM. Although he eventually won acceptance for his Trust Together plan - leading to the launch of the low-cost airline Joon, which ended in a fiasco in 2019 - industrial action followed industrial action. Jean-Marc Janailac ended up resigning in his turn in May 2018, following the referendum he had himself launched to settle a wage dispute with the unions.

After three months' consideration, Canadian Benjamin Smith - known to everyone as "Ben" at the time, or even "Ti Ben" - was chosen. The former Air Canada No. 2 is the first foreign boss to head Air France-KLM. A choice that reflects the growing influence of Delta Airlines within the group. A partner in a transatlantic joint venture since 2009, the American company took a 10% stake in Air France-KLM in 2017, alongside China Eastern Airlines. While the French government, which traditionally pushes for the selection of a Tricolore executive, is backing Ben Smith, the unions are up in arms in the name of economic patriotism.

Despite this initial opposition, the new boss settled the wage dispute in less than a month. A magician, some would say. He certainly got out the checkbook, but the weight of the increases remained reasonable, especially in comparison with the cost of the last strike. At the same time, Benjamin Smith obtained from the pilots the development of Transavia France beyond the 40 aircraft ceiling set in 2014. The company now has 70 aircraft and will receive its first Airbus A320 NEO by the end of the year.

Benjamin Smith's other major project is the creation of a more integrated group, with a governance structure capable of imposing its strategy on Air France, led by Anne Rigail, on the one hand, and above all KLM, led by the inflexible Pieter Elbers, on the other. The latter does not hesitate to defend his company's autonomy tooth and nail, and to put Dutch interests before those of the group. A situation that has plagued Air



France-KLM for many years. And all this with the support of the Dutch state, which launched the acquisition of 14% of the group's capital in the greatest secrecy, much to the dismay of the French. Ben Smith eventually won the day, however, with the departure of Pieter Elbers, revealed by La Tribune in January 2022.

### **March 2020, the Covid-19 pandemic**

2019 is a record year for air transport and Air France-KLM benefits from growth, even if profitability remains weak, particularly at Air France.

But in March 2020, the Covid-19 epidemic becomes a global pandemic. Airlines canceled their flights in a shambles, borders closed and the first confinement took shape. Air France-KLM was hit hard. Deprived of revenues, the group loses 25 million euros a day, and Air France has only enough cash to last until June.

The French government came to the rescue. In April, Paris granted Air France a shareholder loan of 3 billion euros, coupled with a state-guaranteed loan (PGE) of 4 billion euros. The Hague is doing the same for KLM, with a direct loan of €1 billion and €2.4 billion in bank guarantees. Buoyed by the aid, the group passed the hurdle and traffic gradually resumed from summer 2021, despite numerous outbreaks of the virus. Thanks to long-term short-time working, Air France-KLM is even starting up again better than its traditional competitors, such as Lufthansa.

Air France-KLM has lost over 10 billion euros in the space of two years, and needs to rebuild its equity, which is negative by several billion euros. A first transaction is taking place in April 2021, to the tune of 4 billion euros, largely supported by the French state (via the conversion of its loan into quasi-equity) and China Eastern Airlines. The Dutch State and Delta Airlines were diluted. A second transaction took place in May 2022 for 2.3 billion euros. CMA-CGM (now a shareholder in La Tribune) made

a splash, taking a 9% stake. The French and Dutch governments maintained their stakes, at 28.6% and 9.3% respectively. Delta and China Eastern are diluted.

### **September 2023, Air France launches its 90th birthday celebrations**

Air France celebrates its 90th birthday in fine operational form. After returning to profit in 2022, thanks to a record summer, Air France-KLM has started 2023 on a very solid footing, with profitability up sharply. And, for once, it's the French airline that's pulling the group upwards with the help of Transavia France, while KLM is struggling. And future financial results should reflect this summer's very strong demand. In any case, Benjamin Smith is confident. As proof of this confidence, Air France-KLM has just placed a record order for 50 Airbus A350s to renew a large part of its long-haul fleet.

**Nevertheless, Air France-KLM still faces a number of challenges: further strengthening its equity, which is still largely negative, continuing to reduce its debt, and of course continuing to accelerate its decarbonization, the real**

**challenge for the years ahead.**

***My comment:*** Among all these important dates for our national airline, I'd like to single out one: May 3, 2004, the birth of the Air France-KLM group.

Here's what I wrote in my [Flash n°81](#), dedicated to KLM's 100th anniversary:

The merger between Air France and KLM was managed by four people: two at Air France (Jean-Cyril Spinetta and Pierre-Henri Gourgeon) and two at KLM (Leo Van Wijk and Peter Hartman).

In spring 2019, at the height of the governance crisis, Jean-Cyril Spinetta and Peter Hartman spoke to the media. Both were keen to point out how much Air France and KLM had benefited from the merger in 2004.



*Jean-Cyril Spinetta and Leo Van Wijk - September 30, 2003*

*It is now up to the quartet of Ben Smith, Anne Rigail, Marjan Rintel and Steven Zaat to tackle the challenges ahead.*

***The first of these is to make the Air France-KLM group the world leader in sustainable aviation.***



*Ben Smith, Anne Rigail, Marjan Rintel and Steven Zaat - 2023*

## **End of Flash**

You can react to this flash by sending a [message to François Robardet](#)

See you soon.

For the latest Monday press reviews, [click here](#).

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

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

## **| François Robardet**

**former Air France-KLM Director representing employees and former employee shareholders PNC and PS.**

**You can find me on my twitter account @FrRobardet**

When I was elected, I received the support of the CFDT and the UNPNC.

This press review deals with subjects linked to Air France-KLM shareholding.

If you no longer wish to receive this press review, [unsubscribe](#)

If you wish to change the address at which you receive this press review, please [send me your new email address](#)

. To contact me: [message for François Robardet](#).

11,555 people receive this live press review

