

Air France must capitalise on home market: AF-KLM chief

November 5 2019, by Sonia Wolf



Air France is hoping for some lift from deals reached with its staff after a series of strikes

Air France has resolved difficult staff relations that led to debilitating strikes and must now reposition itself in the ultra-competitive airline

industry to take advantage of its home turf, according to Ben Smith, the head of the Air France-KLM group.

"We have been fixing, addressing the most major social crisis that has been taking place in Air France by evolving contracts with our pilots, cabin attendants, with our ground staff, which has given us a lot of commercial flexibility that we didn't have in the past," Smith told AFP in an interview ahead of meetings Tuesday with investors to outline the group's strategy.

Smith, a Canadian who previously served as [chief operating officer](#) at Air Canada, took over the reins at the group last year after the previous CEO spectacularly failed to win over staff to reforms following a showdown that led to series of strikes that cost the airline an estimated 335 million euros (\$372 million).

Since his arrival Smith has reached deals with staff on wages and other conditions to give the airline additional operational flexibility.

"I am pleased to say that we have social stability now at Air France," said Smith.

"However to erase 30, 40, 50 years of mistrust, no respect, lack of transparency, lack of confidentiality does take time."

Need to 'move faster'

And time is a precious commodity in the fiercely competitive sector where higher fuel prices have already forced a handful of airlines into bankruptcy this year.

"To ensure that we keep pace with our competitors we've got to move faster," said Smith.

While KLM's business model "works extremely well", at Air France "the model is not working as best it should", he acknowledged.

"The consistency of what we offer on board today in Air France is not what the customers are looking for," said Smith.



As Air France-KLM Chief Executive Officer Benjamin Smith wants Air France to focus on the most profitable parts of its business

A lack of investment in aircraft is being remedied, with the group announcing in July an order for 60 Airbus A220-300 to modernise its short and medium range fleet.

"We needed a new fleet," said Smith. "It's really a question of becoming less exposed to the area where Air France is less profitable."

While Air France still makes money in economy class, he said it is in business class it does best. The agreements with staff gave management flexibility to expand premium classes on days and flights where Air France believes there is additional demand for these services.

Focus on France

"We needed the agreement to better reposition Air France to better focus on the profitable segments of the Air France business," said Smith.

"We will focus on the markets which will make more sense: the local market in France is the largest tourist market in the world, larger than Spain, larger than the US, larger than UK. This is a huge asset for Air France."

Another deal with Air France pilots allows a further development of the French arm of the group's low-cost airline, Transavia, which had been capped at 40 aircraft.

Transavia "has been now be given an opportunity for growth," said Smith.

Speaking about consolidation in the industry Monday, the day rival IAG, owner of British Airways, unveiled plans to buy Air Europa for a billion euros, Smith said Air France-KLM would keep its eyes open for possibilities to expand via acquisitions.

"But we will only do so if it is financially and strategically in line," he said.

In its [strategic plan](#) presented to investors on Tuesday, Air France-KLM said it is aiming to raise its operating margin from five percent last year to seven to eight in five years.

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