

At least \$9.7 billion in state bailouts for Air France, KLM

April 24 2020, by Angela Charlton and Mike Corder



In this file photo dated Aug. 21, 2019, a KLM passenger plane approaches for landing at Lisbon airport. The Dutch government is widely expected to announce an aid package in the coming days for Air France's Dutch partner carrier, KLM, after the French government on Friday April 24, 2020, announced a 7-billion-euro (dollars 7.6-billion US) aid package to rescue Air France, whose planes have been largely grounded by virus lockdowns around the world.(AP Photo/Armando Franca, FILE)

The French and Dutch governments announced at least 9 billion euros (\$9.7 billion) in bailout money Friday to rescue Air France and KLM, which are fighting for survival as most of their planes are grounded by virus lockdowns around the world.

The partner airlines had been negotiating for weeks with their respective governments, as carriers worldwide are collapsing or seeking government bailouts. The past several weeks of travel restrictions have upended the entire industry, and Air France and KLM said earlier this month that they expect their joint traffic to be down more than 90% in the coming months.

With no clear end to the crisis in sight, Air France will get 3 billion euros in direct loans from the French state and a 4-billion-euro bank loan guaranteed by the state, the airline said in a statement.

"We have to save our national airline," French Finance Minister Bruno Le Maire said on TF1 television Friday. He said the government, the airline's largest single shareholder, is not currently considering nationalizing Air France.

In exchange for the bailout, Le Maire said the government would set conditions of profitability and more environmentally sustainable, less polluting policies.

In the Netherlands, Dutch Finance Minister Wopke Hoekstra announced the government will provide between 2 and 4 billion euros (\$2.16-4.32 billion) to help flag carrier KLM survive the devastating impact on its operations of the coronavirus crisis. He said the money would likely be in the form of guarantees and loans to the carrier.

He said the government was coming to KLM's rescue "because of the vital importance that this business, combined with (Amsterdam airport)

Schiphol, has for the Dutch economy and employment."



In this file photo dated Friday, May 17, 2019, Air France planes are parked on the tarmac at Paris Charles de Gaulle airport, in Roissy, near Paris, Friday, May 17, 2019. The French government on Friday April 24, 2020, announced an "historic" 7-billion-euro (dollars 7.6-billion US) aid package to rescue Air France, whose planes have been largely grounded by virus lockdowns around the world.(AP Photo/Christophe Ena, FILE)

KLM "is the first domino at the start of a long row. If KLM falls, it doesn't just have consequences for the company and its staff but for all the (dominoes) that follow. For Schiphol, for ground staff" and other businesses reliant on international aviation links, Hoekstra said.

The Dutch minister said the support would come with strings attached. "It's tax money from us all and that means we will ask for something in return."

Air France-KLM Chief Executive Benjamin Smith hailed the "unparalleled vote of confidence."

The company would have run out of cash "in the very near future" without this help, he said in a video message to staff and the tax-paying public. He promised the company would "rethink our model immediately" to stay competitive once virus confinement measures start allowing more air travel.

Smith announced last month he was giving up his bonus this year and taking a 25% cut to his salary, and KLM CEO Pieter Elbers announced earlier this week he was giving up 20% of his salary this year as the airline fights for its survival.

All the major U.S. airlines have reached agreements with the Treasury Department for billions in grants and loans to help them cover payroll costs through September.

The virus has not only brought government restrictions on travel, but has stoked fear among the public of being trapped in a plane while sharing recycled air with people who might be infected. Airlines are spending more on refunds than they're earning on new bookings, and airline executives say their companies could take years to recover.

The French [government](#) is also considering a 5-billion-euro loan guarantee for carmaker Renault, Le Maire said.

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