

KLM 3.4bn bailout in crisis as unions refuse paycut plan

November 1 2020, by Jan Hennop



The move puts the future of the Dutch arm of Air France-KLM into jeopardy, which said it would not remain afloat without a massive government injection to save KLM, the world's oldest airline hit hard by the coronavirus pandemic

The Dutch government on Saturday suspended plans to help beleaguered

national carrier KLM with a multi-billion-euro bailout package after unions declined to sign a deal involving a five-year pay-cut plan.

The move puts the future of the Dutch arm of Air France-KLM into jeopardy, with KLM saying it would not remain afloat without a massive government infusion to save the world's oldest airline, now hit hard by the coronavirus pandemic.

"The planned state aid is not going through. It's disappointing but that's the case," Finance Minister Wopke Hoekstra told reporters after talks with KLM.

"It's really important now that everybody take their responsibility and realise that KLM is in an existential crisis," the minister said.

The Dutch cabinet's decision follows a day of intensive talks between KLM and its unions to try and reach accord over the bailout deal, which Hoekstra said would only go through if the airline adhered to a number of tough cost-cutting measures.

The minister gave KLM and unions representing pilots, cabin and ground crew until 12:00 pm (1100 GMT) on Saturday to sign the agreement to unlock the second tranche of the 3.4 billion euro injection.

'Deal is a deal'

While talks are still ongoing with several unions, the Dutch pilots' union VNV have refused to sign what they termed a "last minute" change to conditions for the deal.

The bitter feud centres around a clause in the agreement which asks the troubled airline's staff to take salary cuts for the next five years.

KLM this week presented the Finance Ministry with the austerity plan, which demands a 15 percent cut in costs and will see 5,000 jobs being shed as a result of the global impact of the coronavirus pandemic on air travel.

It also included an agreement from unions to cut pilots' salaries until March 2022 and ground and cabin crew salaries until the start of 2023.

But Hoekstra on Friday turned down the plan, insisting on salary cuts to run concurrently with the government's five-year bailout package.

"We have not signed," a VNV representative told AFP shortly after the deadline passed.

"We had an agreement in place with KLM on October 1 and now they (the government) are going back on it," said the representative, who declined to be named.

"A deal is a deal," he said.

Talks are also ongoing with umbrella union FNV which accused the government of "creating great uncertainty with changes at the 11th-hour".

"We do not understand why KLM and the cabinet require extra commitment at the last minute," FNV said in a statement to AFP.

But it added: "As FNV we will never endanger the future of KLM."

'Bottom of the barrel'

Some 3,000 pilots within the airline are said be the hardest hit by the austerity plan, with salary cuts of up to 20 percent, Dutch news reports

said.

Other unions, however, have signed the deal including cabin crew union and the aerospace technicians' [union](#), saying keeping KLM flying was the first priority.

"We're staring at the bottom of the barrel," Dutch Union of Aerospace Technicians (NVL) chairman Robert Swankhuizen told the RTL Nieuws private broadcaster.

"Squabbling any longer jeopardises state aid," he said.

KLM in a statement said the airline was "in its worst crisis in its 101 years of existence."

"It is all the more regrettable that it has not been possible today to get all the unions to sign the 'commitment clause' by the end of October," KLM chief executive Pieter Elbers said.

"This was the final step required for approval from the cabinet. Without this loan, KLM will not get through this difficult time," Elbers said, adding "this makes this impasse extremely worrying".

Air France-KLM posted a net loss of 1.7 billion euros (\$1.9 billion) for the third quarter, compared with a 363 million euros profit over the same time last year.

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