

Air France-KLM names interim leaders after CEO's quick exit

May 15 2018, by Sonia Wolf



Strikes have cost Air France hundreds of millions of euros this year

Air France-KLM named chief financial officer Frederic Gagey as its interim CEO on Tuesday following Jean-Marc Janailac's sudden exit in a bitter dispute over salaries in the group's French wing.

Former French minister Anne-Marie Couderc was named non-executive chairman at the French-Dutch group, which has been hit by months of strikes as unions seek a 5.1 percent pay rise at Air France this year.

Gagey, 61, will sit on a new management committee alongside Franck Ternier and Pieter Elbers, CEOs of the French and Dutch operations respectively, who will act as his deputies.

But the board indicated that the temporary CEO will not have a mandate to find a way out of a pay dispute which management says has cost at least 300 million euros (\$356 million) due to strikes since February.

"Regarding the ongoing labour dispute... the Air France CEO does not have a new mandate to take decisions that would jeopardise the growth strategy approved by the Air France-KLM board of directors," a statement said.

Janailac said Air France was "going through one of the most difficult crises in its history".

"Repeated crises, strikes, disputes and doubts have divided our group," he told a shareholders' meeting after officially stepping down Tuesday, saying the strikes had "dented customers' trust and the image" of Air France.

Janailac gambled his job on calling a vote among Air France staff on whether to accept a seven percent pay rise over four years, saying he would quit if it was rejected.

He announced his resignation on May 4 after 55.44 percent voted against the deal, sending shares in Air France-KLM nosediving.

The board hailed Janailac's track record, saying he had produced strong

results since 2016 which had enabled a "successful turnaround and growth", and expressed "deep regret" over the strikes.

"These strikes will also have a negative impact on the group's financial results," the board said.



Frederic Gagey, the new interim CEO at Air France-KLM, will take on a bitter pay dispute with unions that led to the previous CEO's resignation

Air France-KLM reported a net loss of 269 million euros (\$322 million) for the first quarter, weighed down by the strikes.

The crisis has highlighted sharp cultural differences between Air France

and KLM, which merged in 2004 to create Europe's biggest airline.

The group's profits have been drained by the French walkouts, with the first-quarter losses entirely due to Air France which lost 178 million euros compared to KLM's profits of 60 million euros.

'Survival in the balance'

French Economy Minister Bruno Le Maire warned this month that "the survival of Air France is in the balance" as the airline has repeatedly had to cancel around a quarter of flights on strike days.

Unions have said the pay rises offered are too little after six years of salary freezes, but management warns that improving company finances are vulnerable to competition from the Gulf and low-cost European carriers.

The board said the interim management structure would be in place "for the shortest-possible period" needed to appoint Janailac's successor, without imposing a specific time limit.

Couderc, a lawyer by training and an Air France board member since 2016, is a onetime protegee of former French president Jacques Chirac who has spent her career between business and politics.

The 58-year-old served as employment minister and then labour minister in the 1990s before going back to the private sector as assistant general manager at publishing house Hachette.

She then took charge of French media distribution firm Presstalis, where her experience of lengthy labour disputes may come in handy for the new job at Air France.

Couderc launched a restructuring plan at Presstalis in 2012 which slashed the workforce in half, prompting repeated strikes which blocked the distribution of newspapers.

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