

French government rules out selling Air France-KLM stake

September 27 2018



The French government says it's not selling its Air France stake

French Finance Economy Bruno Le Maire on Thursday ruled out selling the government's minority stake in Air France-KLM, saying the priority was to turn around the troubled airline group.

"The state would be a very bad manager if it started selling its stakes in a business which is not in the best shape," Le Maire told France Info radio.

The government's priority is "the recovery" of the French-Dutch operator, which has suffered months of costly strikes by staff in France over pay, he added.

"Ending the participation of the French state in Air France is not part of Ben Smith's roadmap," Le Maire said, referring to the airline's new Canadian CEO.

The Financial Times had published an interview with Smith earlier Thursday reporting that he had told the paper the government was prepared to dump its 14 percent stake.

Even though "there are some people in Air France that believe that this is something they can have as an insurance", the government "has recently made clear that this is not a good assumption," the paper quoted him as saying.

But an Air France source told AFP that Smith had "never said the state was ready to sell its stake".

"It was based on a misunderstanding," the source said.

"In responding to a question from an FT journalist, (Smith) indicated that this could happen at the right moment," the source said of a state sale.

Battling Gulf competition

In another interview published Thursday with French magazine Paris Match, Smith was quoted as calling for more support from the French

state, not less.



Air France's new boss has had a turbulent start to the job

"If the French state wants a powerful industry with positive consequences, notably job creation, it has to help our sector revitalise," he said.

Such support would help Air France-KLM compete with Gulf operators like Emirates, he said, adding that the airline enjoyed "massive support" from UAE authorities.

Smith, who was named the first non-French boss of France's former flag carrier on August 16 and started his job last week, has had a rocky arrival at the airline.

The airline's powerful unions strongly opposed his appointment, saying it was "inconceivable" that Air France "fall into the hands of a foreign executive".

As they push for higher wages for pilots, stewards and ground staff, the unions have also criticised Smith's pay package, which could reach as high as 4.25 million euros if performance targets are met.

Smith pledged last week to invest half of his fixed salary of 900,000 euros in Air France stock as a gauge of his "confidence" in returning the airline to a more solid footing.

Fifteen days of strikes by staff seeking higher pay have led to waves of flight disruptions, costing the company 335 million euros (\$392 million).

Smith is due to meet with unions on Monday to try to thrash out an agreement.

His predecessor, Jean-Marc Janailac, resigned in May after gambling his

job on reaching a deal with the unions.

"We will set off on a path together to reach an agreement, even if that might take a year," Smith told Paris Match.

"Time spent on internal disputes is wasted time that could be spent fighting our competitors," he added.

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Citation: French government rules out selling Air France-KLM stake (2018, September 27)
retrieved 23 April 2024 from <https://phys.org/news/2018-09-french-air-france-klm-stake.html>

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