



POLICY BRIEF

For decision-makers in politics, the media and business

5/18



The first prize of the 2018 Christmas painting competition run by the Lufthansa Group goes to Benjamin Späth from Bad Camberg. The competition has been organised in cooperation with special-needs schools for children with various disabilities since 1994.

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Good jobs in the sky

EUROPE SHOULD SET STANDARDS

The common EU aviation market is regarded as a successful project, one which considerably benefits passengers and airlines alike. However, with some airlines, this comes at the expense of their staff. The EU is called upon to define universally valid social standards and to champion them worldwide.



MARIANNE THYSSEN
EU Social Commissioner

“I am not against Ryanair or the low-cost model. But with great success comes great responsibility. The single market is not a jungle; rather it has clear rules regarding fair labour mobility and employee protection.”

September 2018



VIOLETA BULC
EU Transport Commissioner

“The European aviation industry is the leader worldwide. It’s important that its companies are leaders on all fronts, including on social issues.”

September 2018



Lufthansa, Air France and half a dozen other airlines, together with trade unions, are calling for a Social Agenda for European Aviation. The partners adopted a corresponding position paper at the beginning of October.

Increasing competition but not at the expense of employees

The background to this is the fierce competition that is rife in aviation. The result is that those airlines that have an attractive range of offers and their costs under control are gaining market share. Problems arise when companies systematically rely on atypical employment models – such as bogus self-employment. Brussels and the single member states should take action against such business practices.

On their home market, EU airlines also have to compete with airlines that – from a European perspective – deny their employees important rights. For example, the UN Labour Organisation, the ILO, is taking action against a Gulf airline. Here the EU Commission can also take countermeasures by attaching special importance to workers’ rights in aviation agreements.

Lufthansa Group is shouldering responsibility

The Lufthansa Group employs 135,000 people worldwide, with more than 100,000 of them in Europe. 8,000 new employees were hired in 2018 alone. The company fulfils its responsibility despite being under great competitive pressure:

- **Social partnership:** Employee participation is put into practice. For example, there are more than 1,000 works councils throughout the company as well as collectively appointed staff representative for flying personnel.
- **Pensions:** Politicians sets great store in occupational pensions. Across Germany, 57% of employees are accruing an entitlement to such a pension. In this country, the Lufthansa Group offers different types of company pension plans to nearly 100% of its staff.
- **Training and further education worldwide:** The Lufthansa Group is currently training more than 1,000 young people in 34 occupations and nine study programmes. In addition, the Lufthansa Group has selected 500 junior pilots in the current year and trained 4,000 new flight attendants.

Airports

A CHANCE TO MAKE USE OF EFFECTIVE REGULATION

by Thomas Reynaert, Managing Director of Airlines for Europe (A4E)

“ Airports often lack the incentive to invest appropriately and to work in a cost-effective manner. Above-average returns at some sites suggest that they are exploiting their supremacy to levy excessive charges. And as it happens, between 2006 and 2016, EU airports alone doubled passenger-related airport charges. In turn, the competing airlines are working hard on their cost-effectiveness and have lowered the price of their tickets by 11 percent over the same period.

The airports point out that they have to invest considerable resources. We don't question this as long as it is appropriate and cost-efficient. However, it shouldn't be possible for many airports to pass these investment costs primarily on to airlines by increasing charges, while the revenues gained from retail, gastronomy, advertising and so on are allowed to be completely disregarded when charges are calculated. The EU directive on airport charges has in essence failed to introduce fair and effective regulation for all parties concerned. Accordingly, the position of airlines vis-à-vis airports is correspondingly bad – which means that passengers also end up losing out.

Recognising market power – and taking action

What's the solution? From our point of view, it's the major airports with significant market power that have the biggest regulatory deficits. A study issued by the renowned Competition Economists Group recently defined three test criteria that make it easier to identify such airports. They relate to the general competitive situation of the airport, as well as capacity reserves and charging policies. Where a potentially abusive market power is detected, an independent and competent authority would have to become active and establish a regulation that could take the place of the missing market regulation. Incidentally, the German Monopolies Commission also demands that airport charges – unlike in Germany in the past – should in fact be controlled and regulated independently.

Other sectors offer numerous models for this approach. The energy and telecommunications sectors, for example, or even the rail network – in which users also need fair access to the infrastructure – are likewise regulated in a similar manner. The decisive factor is that the customer is at the heart of things and is offered competitive services at reasonable prices. This is, of course, not the case for airports, which are so crucial for national economies. A4E insists that the EU address this issue and revise the airport charges directive accordingly.”

AS AIRPORT CHARGES RISE SIGNIFICANTLY, AIRLINE REVENUES DECLINE

For every one-way ticket, passenger-related fees at European airports increased by an average of 106 percent between 2006 and 2016 and the fiscal burden by 133 percent. At the same time, ticket prices dropped by 11 percent. Adjusted for inflation, the price reduction is even significantly higher.



THOMAS REYNAERT
Managing Director
Airlines for Europe (A4E)

A4E is the voice of 15 leading EU airlines. They employ around 300,000 people and fly 635 million passengers per year.

CO₂-neutral growth

AVIATION PLAYS A PIONEERING ROLE

Aviation plays a pioneering role when it comes to standard global climate protection. As of 1 January 2019, airlines all around the world will report how much carbon dioxide they emit. This will then form the basis for the climate protection system CORSIA in 2021. Any company wanting to grow will have to offset the additional CO₂ emissions within the framework of certified climate protection projects. No other industry has anything comparable to this.

For more than a decade, airlines around the world have been campaigning for a global climate protection tool. At the end of 2016, CORSIA (Carbon Offsetting and Reduction Scheme for International Aviation) was adopted by the UN aviation organisation ICAO. At present, 76 states want to be in on the scheme from the very beginning, including all of the countries in the EU, Japan, Canada and the USA. The airlines of these countries – which account for around 75% of international air traffic – will compensate for growth-related CO₂ emissions from 2021 onwards. Six years later, all states – with a few exceptions – will participate in CORSIA.

Political support is essential

It is vital that this flagship project receives continued support. The following are on the agenda:

- **One goal, one emissions trading system:** The ICAO states – including EU member states – have agreed to implement CORSIA as the sole climate protection instrument in international aviation. Accordingly, the EU Emissions Trading System that currently is applied has to be replaced in 2021. Anything else would contradict international consensus and jeopardise CORSIA's valuable negotiation success.

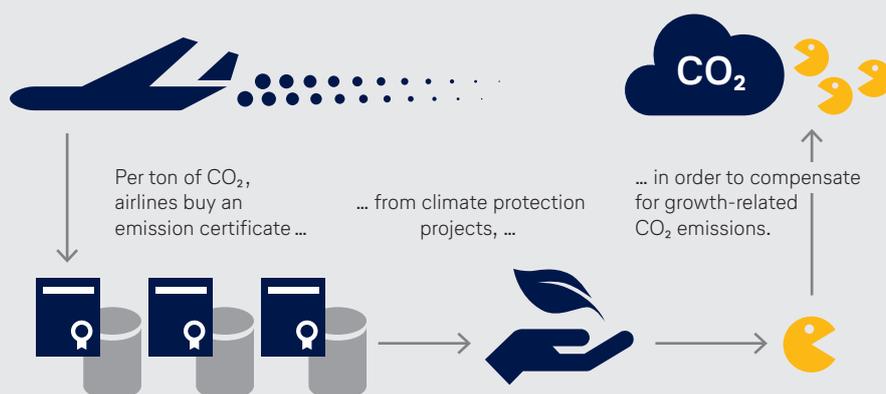
- **Ending the duplication of work:** As of January 2019, airlines have to report their CO₂ emissions both for CORSIA and for the EU Emissions Trading System. As the specifications differ, especially with regards to monitoring methods, this means doing the same task twice unnecessarily. On behalf of the Federal Ministry of Transport and the ICAO, Lufthansa has calculated that the monitoring results at CORSIA do not differ significantly from those of the EU Emissions Trading System. The EU should, in the short term, comply with the CORSIA guidelines for monitoring.
- **Promoting sustainable fuels:** Universities and institutes all around the world are researching alternative aviation fuels in order to replace conventional kerosene in the long-term. Politicians should promote this important issue for low-CO₂ aviation, e.g. by giving public research programmes targeted support. What is lacking in particular is the requisite production capacity and airport infrastructure.



LUFTHANSA GROUP ON COURSE

In 2017, the Lufthansa Group only consumed 3.68 litres of kerosene per passenger per 100 kilometres. Compared to the previous year, this means an increase in efficiency of 4.5 percent. Further improvements can also be expected – just in September, the company ordered 27 Airbus A320neo and A321neo worth billions. Compared to previous models, the planes consume up to 20 percent less kerosene per seat kilometre.

THE CORSIA PRINCIPLE



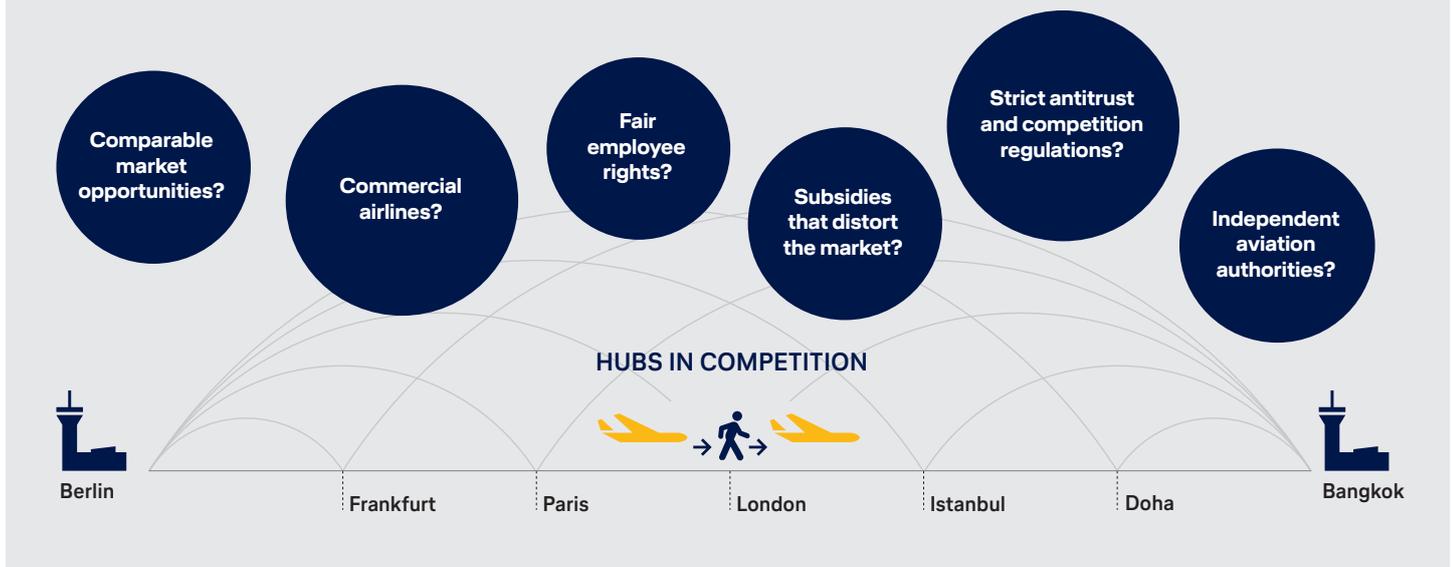
Aviation agreement

THE MORE OPEN THE MARKET, THE MORE IMPORTANT THE RULES

According to a study conducted by the OECD, the German aviation market is among the most liberal in the world. Around 160 airlines from all continents fly to German airports. The basis for this is the EU internal market and aviation agreements negotiated by the Federal Ministry of Transport or the EU Commission. These internationally binding contracts have been safeguarding the steadily increasing diversity of connections worldwide for decades – and are irreplaceable when it comes to fair competition.

COMPETITION ON A LEVEL PLAYING FIELD?

Take the example of Berlin – Bangkok: Travellers can choose between numerous connections on this route. For example, flights that go via Frankfurt, Paris and London compete directly with flights via Istanbul or Doha. Answers to important questions regarding fair competition are very different depending on the hub in question. Future aviation agreements should ensure fair competition rules and social standards.



Aviation agreements regulate access to the market and basically define the rules of competition between the respective states. This is all the more important because, unlike other major industries, the World Trade Organization (WTO) plays no role in aviation and accordingly does not act as an authority with regard to fair competition.

The EU Commission is currently negotiating new agreements – also on behalf of Germany – with the United Arab Emirates (UAE), Qatar, Turkey and the Southeast Asian ASEAN states. The following premises are important:

- **Opening up opportunities:** The agreements serve to open up attractive market opportunities for airlines and airports – both in the EU and in third countries. Both parties should benefit economically from this.

- **Ensuring fair competition:** The agreements serve to open up attractive market opportunities for airlines and airports – both in the EU and in third countries. Both parties should benefit economically from this.
- **Maintaining social standards:** Important achievements – such as the right to strike and protection against dismissal – must be taken into account when market access conditions are designed.

The general rule is that, the more open a market is, the more vital it is that the same rules apply to all airlines.

Lounge

COMING HOME FOR CHRISTMAS

A bit of a break for the fleet! The Lufthansa Group alone is calling over 130 aircraft to its home airport in Frankfurt over the Christmas period. Arno Thon is responsible for the positioning of the aircraft – we talk to him about parking problems, months of planning and “tractor ballet”.



Mr. Thon, is it not true that parked planes eat up money?

That's certainly true on normal days, but Christmas Eve is a time when people would rather sit under a Christmas tree than on a plane. That's when it pays to restrict the flight plan, rather than deal with near-empty planes.

Can you give us an idea of the size of this operation?

On 24th December, we're going to be parking 44 long-haul and 90 short-haul aircraft at Frankfurt Airport. This will affect routes that are particularly demanded by business travellers. For example, flights to Bangalore in India or Boston in the US. In addition, we are pruning the European routes and flying, for example, to London only six times a day instead of twelve.

What's so complicated about that?

The Lufthansa Group alone needs around 40,000 square meters more of parking space than usual. But, naturally, the airport doesn't keep extra hectares of parking space at hand just for Christmas, which is why it's going to be extremely cramped on the apron. And when dozens of planes are all lined up, the one at the front should be the first to leave again. The planning phase, which is orchestrated together with colleagues from Fraport, air traffic control and other airlines, starts six months earlier. On the days over Christmas, more than 120 colleagues, ranging from tractor drivers to technicians and marshalls, will be busy looking for spots to park the planes.



Will they be getting into the Christmas spirit?

I wouldn't say so; there's no time for that. But on New Year's Eve, we like to talk about the “tractor ballet”. Between 1 a.m. and 6 a.m., nearly all aircraft tractors will be in action on the huge site, nearly all of them festively lit up, because the more than 100 aircraft parked there will be taking off again on 1st January. This is a real show of strength and it looks really great in the dark.

Telegram

help alliance

HELP FOR 10,000 CHILDREN AND ADOLESCENTS

Providing access to education for disadvantaged children and adolescents and opening doors to opportunities for them is the declared goal of help alliance. In more than 30 projects – proposed and run voluntarily by Lufthansa Group employees – the Group’s non-profit aid organisation supports around 10,000 people around the world each year. Besides focusing on education and training, help alliance also supports entrepreneurial approaches. All project content is based on the United Nations’ sustainability goals and the standards of the UN Convention on the Rights of the Child. The administrative costs are borne entirely by the Lufthansa Group. This way, every euro donated gets through to the children and adolescents.



Active Sound Insulation

OPTIMISING THE EXISTING FLEET

With each new generation of aircraft, noise emissions fall significantly. But what happens during their usage phase? With the support of Lufthansa Technik and other partners, the German Aerospace Centre (DLR) is exploring ways it can optimise existing fleets. The DLR expects audible improvements, in particular from the casings on landing gear and the new thrusters on engines. The development, approval and testing of noise abatement measures takes several years of preparation.

DLR and Lufthansa have been researching retrofit measures for existing fleets since 2001 – with success. For example, the partners have developed small vortex generators that eliminate annoying sounds and so reduce the noise experienced on approach by up to 4 decibels. This is now industry standard. To date, more than 200 aircraft of the A320 family in the Lufthansa Group have already been equipped with this component.

Brexit

CURRENT STATUS

The impending Brexit may be associated with significant upheaval – this also applies to the aviation industry. From the point of view of the Lufthansa Group, everything has to be done to ensure that the transition is as smooth as possible so that passengers can continue to enjoy the usual high-quality service. Nevertheless, the Lufthansa Group is prepared for various scenarios. Even in the case of a „no-deal“ scenario, airlines will still be able to fly to the UK, as far as they are currently aware. Changes to flight schedules are not being planned.

Study

AVIATION SUPPORTS 65.5 MILLION JOBS

In October 2018, the Air Transport Action Group (ATAG) published its latest report on the economic effects of aviation worldwide. **Aviation ...**



safeguards a total of
65.5 million
jobs



creates
US \$ 2.7 bn
in added value



contributes **3.6%**
to global GDP



transports around
4.4 billion
passengers

Lufthansa Group

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PRESS DATE:

6 December 2018

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Köster Kommunikation
GDE | Kommunikation gestalten

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