



POLICY BRIEF

For decision-makers in politics, the media and business

1/19



2.9 Litres

CONSUMPTION PER 100 KILOMETRES PER PASSENGER: 2.9 LITRES
Lufthansa Group orders 40 additional, highly modern long-haul aircraft.

POLICY BRIEF 1/2019
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Responsibility

INVESTMENTS OF BILLIONS FOR THE FUTURE

In 2018, the Lufthansa Group transported around 142 million passengers, more than ever before. Also in terms of employee numbers, sales and profits, maximum values were achieved. Thus, responsibility for the environment and society grows accordingly. We accept this responsibility and are setting new focal points.

-25%
Consumption

-30%
Noise*

LATEST ORDERS: 20 AIRBUS A350-900 AND 20 BOEING 787-9
The aircraft are the most efficient and quietest in the long-haul segment.

Sources: Airbus, Boeing;
*measured noise footprint

Climate protection: billions for maximum efficiency

Fuel-efficient aircraft are the biggest lever to reduce CO₂ emissions. As to be seen at our latest orders: Early in March, we ordered 40 highly modern and fuel-efficient long-haul aircraft. Compared to similar models with four engines, they consume 25 percent less kerosene. Summing up the consumption of one year, the savings add up to 500,000 tonnes.

According to list price, we invest about 12 billion US dollar. Overall, the Lufthansa Group actually has 221 aircraft on its order list at a total cost of 43 billion US dollar, which will be delivered until 2027. Two additional measures to protect the climate have been decided in March:

- **Expansion of CO₂ compensation:** In the future, the Lufthansa Group will compensate for the CO₂ emissions of all employee official and business air travels at the Swiss myclimate climate protection foundation. As a result, climate protection projects are estimated to be supported with up to 1.5 million euros per year. Incidentally, CO₂ compensation is generally on the rise: According to the decision of the UN aviation organisation ICAO, from 2021 airlines in 76 countries will compensate for their growth-related CO₂ emissions – there is nothing comparable in any other industry.

- **Start for alternative drives:** On the ground, we will convert all vehicles to electrically operated vehicles at our hubs in Germany, Austria and Switzerland until 2030. We are already among the pioneers for special vehicles. In 2016, for example, we put the world's first electric aircraft tractor into service. In addition, we will use green electricity at our hubs wherever possible.

Supporting social engagement

The Lufthansa Group is committed to social issues through its help alliance non-profit aid organisation. help alliance was founded by Lufthansa employees 20 years ago and has helped thousands of young people in precarious situations in a variety of ways. As of 2019, the Lufthansa Group will foster even more its support for employees who engage in social projects carried out by help alliance. In addition, the company is increasing its annual donation volume by around 800,000 euros.

Responsibility for the environment and society is one of the Lufthansa Group's strategic topics.

Summer is just around the corner

LUFTHANSA IS INVESTING IN GREATER RELIABILITY

In the summer of 2018, more than a third of all European flights arrived late – an unacceptable number. What were the main causes? What is the Lufthansa Group doing to improve the situation?

WE ARE INVESTING 250 MILLION EUROS IN GREATER DEPENDABILITY FOR FLIGHT OPERATIONS
For example in:



600 additional **employees** in operational areas



More **engine** and **aircraft reserves**



Improved **communication** with passengers in the event of delays and cancellations



The acceleration of processing on the ground



Capacity bottlenecks determine the situation

2018 was marked by capacity bottlenecks. Many times, passengers queued at the security checkpoints in major airports for hours. Bottlenecks were particularly prevalent in air traffic control, which was unable to deploy enough controllers to manage the increasing demand. Moreover, the airlines lacked the aircraft reserves to adequately absorb flight cancellations. Transit times between landing and departure were also very ambitious, meaning that delays during the course of the day could often not be compensated.

Every bottle-neck itself causes only a few minutes of delay. However, there are follow-up delays: if an aircraft misses its assigned slot, it must be assigned a new one – more time passes. If the machine cannot compensate for the delay in flight, further delays accrue.

Tackling problems

In October 2018, the aviation industry and policy makers agreed on concrete measures for greater reliability. Key steps at the Lufthansa Group are:

- **Increasing aircraft reserves:** We are increasing our reserves by 15 additional aircraft to a total of 37 aircraft. This means we can respond to breakdowns and technical problems more efficiently.

- **Extending buffer times:** The time between landing and departure will be significantly rectified. Eurowings has even ordered scheduled ground times of up to three hours for every seventh aircraft around midday. Any delays can be absorbed and ad hoc flights organized.
- **Improving technical reliability:** The Lufthansa Group has procured replacement engines and spare parts worth over 100 million euros and is hiring 200 new mechanics.
- **A320-CEO on order:** In September 2018, six Airbus A320 CEOs were ordered at short notice. Three aircrafts were already delivered in January; the remaining planes will follow in time for the beginning of the summer timetable.

Despite all this, many reasons for delays lie outside of Lufthansa’s sphere of influence. The demand is also on air traffic control, authorities and airports. Therefore, all stakeholders must contribute to the operational dependability of air transport. At this point, we are still far away from an all-clear.

Compensation for delays

IMPLEMENTING A FAIR AMENDMENT PROPOSAL

Passengers are entitled to substantial compensation for delays and flight cancellations. The basis is the EU Air Passenger Rights Regulation of 2005. In the Lufthansa Group, we are improving transparency and procedures for affected customers. Simultaneously, we are appealing to government to tackle an overdue reform.

Inform passengers better about their claims

Consumer advocates criticise that air travellers are insufficiently informed about their rights and entitlements. The Lufthansa Group takes this criticism seriously and wants to improve. If a flight is delayed, we inform our passengers in particular via SMS, email or app and point out the entitlements. In 2018, the processing of incoming inquiries took too long. That’s why we have hired several hundred new employees to reduce the response time to a few days.

Reform the regulation

The lump-sum compensation payments are substantial: In case of a delay of more than three hours – unless an “extraordinary event” has occurred – airlines have to pay travellers on short journeys 250 euros, 400 euros on routes between 1,500 and 3,000 kilometres and 600 euros on long-

haul routes. In addition to this, meals and possibly overnight accommodation are provided as well. In many cases this exceeds the ticket price, which the EU Commission now also considers disproportionate.

In addition, there is the question about adequate clarity and finality of the Air Passenger Rights Regulation. Again and again, courts had to clarify which events are considered “extraordinary” and therefore not subject to compensation. The legal uncertainty is great, especially since the regulation is interpreted in contradictory terms.

Years ago, the European Commission presented a balanced draft amendment, which the German government declared to support. This draft should be quickly implemented.

COMPENSATION SUMS SUBSTANTIALLY EXCEED TICKET PRICES

On routes up to 1,500 kilometres, the average one-way ticket price is 125 euros. The flat-rate compensation at 250 euros is twice as high, unless there are “extraordinary circumstances”. Unlike the train: With a delay of 60 to 119 minutes, they must refund 25 percent of the fare, for a delay from 120 minutes, it is 50 percent.



Drones

CREATING RULES
TO IMPROVE SAFETY

Almost 500,000 drones are currently being flown in Germany, and the tendency is increasing sharply. Of these, around 5 percent are used for commercial purposes. Completely new areas of the service sector are being created – with positive effects on new jobs and prosperity. However, drones are more and more frequently being sighted in the areas directly surrounding airports. This brings an increased danger that drones may collide with aircraft or impair flight operations. The boom is therefore throwing up some important questions in terms of security policy.

Safety of air transport is the number one priority

The clear view of the air transport sector is always: safety first! London Gatwick Airport was closed for more than 36 hours in December 2018 because a drone was hindering both take-off and landing operations. 140,000 passengers were affected. Cases such as these make it all the more important that we are able to react efficiently when necessary.

From the point of view of the Lufthansa Group, government policy in this area needs to address the following aspects:

- **Equipping drones with transponders:** All drones should be registered and fitted with electric transponders. If the DFS (German Air Traffic Control) detects such a device in the area surrounding an airport, they will be able to quickly identify the owner and get in touch with them. Disruptions in the area surrounding airports are not as a rule caused intentionally.
- **Organization of a state-run drone defense system:** If a drone pilot is not cooperative and is disrupting air transport intentionally, then it is the task of the state to ensure safety. For this purpose, the police should be equipped with the relevant mobile technology to be able to identify the drones and react with appropriate defense measures.

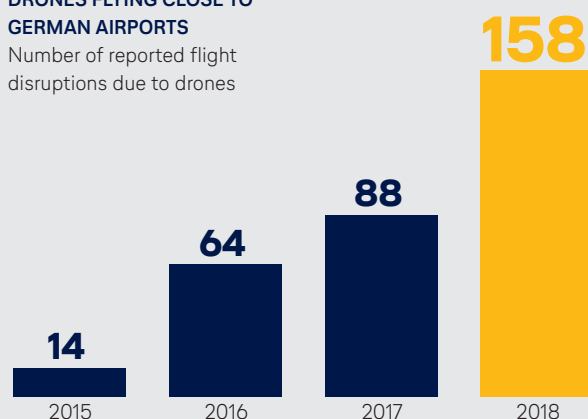
The financial burden involved could be reduced through international cooperation agreements.

- **Coordination of national and state-wide activities:** Within the airport area, the German federal police force is responsible for safety. Beyond the boundaries of the airport, this is matter for the police force of the federal state in question. This division of tasks is not practicable when it comes to defense against drones as the device may move between the two different locations. The German federal police force needs to be given far-reaching powers in the area of drone defense.
- **Development of response plans:** All potential scenarios for a threat will have to be worked through. The authorities need to coordinate with the industry to develop appropriate crisis response plans – something that is done as a matter of course in air transport – and will need to organize for exercises to be carried out.

The air transport sector is ready and willing to work with the authorities to develop practice-oriented solutions. The goal: maximizing safety for passengers and an environment in which drone technology – which holds a great deal of promise – can continue to develop in Germany.

**DRONES FLYING CLOSE TO
GERMAN AIRPORTS**

Number of reported flight disruptions due to drones



Source: DFS



Photo: Freport AG

Lounge

BOXING FOR THE SOUL

In the autumn of 2014, Hamburg-based Lufthansa employee Raiko Morales visited his wife Daiane's hometown for the first time. Morales is a boxing coach and was an active boxer in his youth. He has seen a lot, but the misery that he encountered, floored him – as they say in boxing circles.



Raiko Morales, employee at Lufthansa Group Safety and help alliance project manager, with children and adolescents of the Instituto Juventude Criativa recreation centre

HELP ALLIANCE

help alliance is the aid organization run by the Lufthansa Group and its employees. It currently bundles around 40 projects worldwide, which primarily provide access to education for young people. Employees take on voluntarily responsibility for each project, always in cooperation with competent local partners. All project contents are oriented to the standards of the UN Convention on the Rights of the Child and the sustainable goals of the UN for 2030.



There is no running water, hardly any electricity and the people live in shacks. Although the school offers lessons, few of the boys and girls, that the Morales encountered on the tour through the district with Daiane's cousin Anderson Couthino, attend. Alcohol and drugs are a serious problem.

Morales is familiar with the integrative power of sport. During his stay, he co-founded the Instituto Juventude Criativa Youth Recreation Centre with the cousin. In addition to music and dance, the centre offers boxing training. He bought gloves and sandbags and engaged a coach. Every child, every young person is welcome, but only if they also attend school. Before training starts, the children complete their homework and are given English lessons. Around 400 children visit regularly.

The first successes were becoming apparent, but the economic crisis in Brazil intensified. The local school closed in 2017, because the state could no longer pay teachers' salaries. Local supporters of the project abandoned ship as they found themselves in financial difficulties. At the beginning of 2018, the centre was on its last legs, so Morales submitted his project proposal to help alliance and received approval.



"I'm just happy that we can continue to provide this support and even expand what we have to offer," says Morales. The funds will be used to renovate the centre and to hire trainers and English teachers. "And we want to create the necessary structures, so that the project can sustain itself from 2021," Morales explains.

Telegram

Security controls

MUNICH AS A MODEL

The security controls at German airports are often overloaded and not very comfortable for travellers. For years, the aviation industry has urged for improvements. The Luftamt Südbayern recently opened two new control lanes at Munich Airport, which promise a real leap in quality:

- **Leave laptops in hand baggage:** Highly sensitive testing equipment with computer tomography technology checks hand baggage – passengers can leave laptops, smartphones and permitted liquids in their hand luggage.
- **Enjoy more flexibility:** Four travellers can now simultaneously place their luggage on the control track, in larger tubs than before – those who need more time, no longer delay the process. In addition, state-of-the-art body scanners provide more comfort and more security in the clearly arranged control lanes.
- **Utilising state-of-the-art conveyor technology:** Conveyor technology significantly influences the efficiency of the entire control system – Munich has Germany's first fully automated system.

The pilot checkpoint promises more efficient controls with even more security. The aviation industry was able to contribute its expertise in the development phase; the Terminal 2 operating company – a joint venture between Lufthansa and Airport – was involved from the very beginning. From the point of view of the Lufthansa Group, this approach should be a priority. The test phase runs until the end of the year.



New checkpoint

More comfort, more security and more efficient processes

Cargo

FOCUS ON A LOW FUEL CONSUMPTION FLEET



Lufthansa Cargo is systematically continuing fleet modernization. In mid-February 2019, the company received its sixth brand new Boeing 777F. The aircraft emits around 23 percent less CO2 per transported ton of freight compared to the MD-11F. In the spring, Lufthansa Cargo will receive another Boeing 777F, meaning that two older freight aircraft can be taken out of service in the course of the year. The fleet will then include seven Boeing 777F and ten MD-11F. The full fleet renewal should be completed by 2025 at the latest.

2019

AROUND 5,500 NEW EMPLOYEES

The Lufthansa Group will hire around 5,500 new employees in the current year – and this only includes the home markets Germany, Austria, Switzerland and Belgium. In addition, Lufthansa Aviation Training 2019 will see up to 500 junior pilots begin their training. The Lufthansa Group currently employs around 135,000 people worldwide, more than 70,000 of them in Germany.

Lufthansa Group

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