

Industrial competitiveness

THE NEW REALITY CALLS FOR NEW RESPONSES

The challenges facing Germany have reached a new dimension. Therefore, we need a turnaround in economic policy. Berlin and Brussels must rethink their policy design. What is needed is a European show of strength for greater competitiveness.

The Russian war of aggression, energy shortages, high inflation and the loss of purchasing power, the rivalry between the two largest economic powers: the events of recent months show that our economic success is fragile and depends on many factors. Acute crisis management is vital, but is falling short. We need to secure the future of our economic model now.

Competition between locations is coming to a head

Other airlines have long since engaged in locational competition. The USA is backing a concerted industrial policy and is enticing firms with attractive conditions.

The goal is to combine strategic autonomy, climate protection and re-industrialization. Future technologies “Made in America”. Major funding has also been set aside for sustainable aviation fuels.

Ever more voices in the EU are advising caution. The Belgian Prime Minister is warning of a “deindustrialisation of the European continent”. Germany, with its broad industrial base, is particularly challenged. In economic forecasts for 2023, we are at the bottom of the EU league table. In the midst of this new reality, economic policy also requires strategic rethinking. Our location must not miss the boat. Time is of the essence.



Massive distortions of competition in air transport

		Germany	UAE/Qatar
Taxes	Aviation tax	Yes	No
	Tax burden	High	Low
Fees	Airport charges	High	Low
	Air traffic control charges	High	Low
	Aviation security charges	High	Low
Environmental and consumer protection	Emissions trading	Yes	No
	Noise abatement	Yes	No
	Noise-related charges	Yes	No
	Night flight bans	Yes	No
	Fit for 55 (SAF quota, paraffin tx, ETS tightening)	In planning	No
	EU 261	Yes	No
Labour market	40-hour week	Yes	No
	Protection against dismissal	Yes	No
	Trade unions	Yes	No*
	Right to strike	Yes	No*
	Competition law	Yes	No

* Exception Qatar: Nationals of the country – about 10% of the population – are allowed to join trade unions and strike.

Distorted competition in international air transport

Between 2010 and 2019, passenger flows from Germany to Asia and Africa increased by 73%. However, Germany barely benefited from this as a transfer location (+15%). The vast majority of the growth was on routes via Istanbul and hubs outside Europe (+115%).

The airlines on the Bosphorus and the Persian Gulf are competing particularly intensively with the EU network airlines for added value. Lower social, sustainability and consumer protection standards give them significant cost advantages. Financial injections that the carriers receive from their home states usually remain non-transparent and condition-free.

The competitive situation is thus particularly challenging for EU network airlines. At the same time, they are an important pillar of intra-European integration. More than that, they ensure a reliable global connection for the EU. Lufthansa or even Air France-KLM use their hubs to transport transfer passengers to destinations around the world. Only this “hub-and-spoke” model enables a network that many firms, especially those in the industrial SME sector, are reliant on to be run in an ecologically and economically sensible way.

However, instead of working towards an international level playing field to create a fair starting position for domestic airlines, numerous EU projects are creating additional one-sided burdens. This does not fit with a time when we should be actively consolidating our strategic autonomy. Berlin and Brussels must have a fundamental rethink and focus more on competitiveness. There are enough starting points.

Fit for 55: It depends on the political will

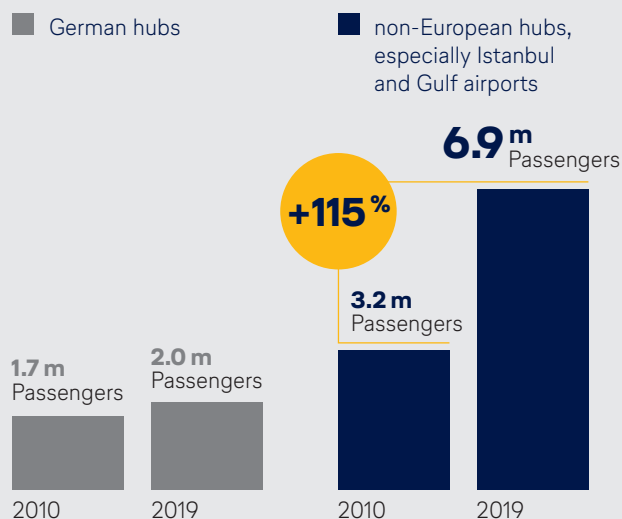
The current proposals on the blending mandate for sustainable aviation fuels (SAF) and the ETS reform make traffic via European hubs massively more expensive and, above all, one-sided. Because connections via hubs at the gates of the EU are hardly affected. The same applies to a kerosene tax. This cannot be the purpose of European climate protection policy. Proposed solutions that address traffic shift and carbon leakage are on the table. They just need to be taken up. The federal government must take the lead here.

Slot reform: allocation must remain reliable

For network airlines, planning reliability is indispensable. Long-term available slots at the airports are elementary for the business model. Therefore, slot allocation in the EU must be predictable and internationally compatible. Currently, these conditions are being met. And since the European market is already one of the most competitive in the world, is now really the right time to initiate a revision of the slot regulation? Brussels is getting its political priorities wrong.

Traffic flows are shifting

Germany is losing its former role as a transfer country. Passenger flows from Germany to Africa and Asia 2010 vs. 2019 via:



Air traffic agreements:

Make a level playing field binding

Air transport agreements are a vital instrument for fair competition. Accordingly, they must be used consistently to safeguard social, sustainability and consumer protection standards. Liberalisation at any price ultimately leads to the undermining of European standards. This also means that violations must be consistently sanctioned. Without such a level playing field, there should be no more landing rights in the EU in future. This also includes the reform of existing air transport agreements. It should go without saying that climate policy expectations should not be directed unilaterally only at EU airlines.

Consumer protection: maintain advanced payment

The principle of advance payment has proven itself in global air transport and is, accordingly, uncontroversial. The fact that abolition is being discussed in Germany alone is an example of activism that ultimately does not benefit customers either. Airline tickets all become more expensive, while airlines are losing planning reliability. This serves no-one's interest.

In the light of the new reality, all political projects need to be reassessed. The coalition agreement of the 'traffic light' government accurately describes the need for action in air transport in many cases. With the required political will, we can drive competitiveness and decarbonisation concurrently. This is the only way to secure our prosperity in the long term.