

Lufthansa hopeful on deal for German state aid

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Europe's biggest airline group Lufthansa said Sunday it was close to a deal with the German government on state aid to ease the impact of the coronavirus crisis.

The group, which warns it is bleeding cash and might have to declare insolvency, had appeared to be stalled in its bid for up to 10 billion euros (\$11 billion) in aid, according to a report in the weekly Der Spiegel.

But in a note from Lufthansa directors to staff seen by AFP, the company said it has held "intense and constructive exchanges" with the German government on the financial help.

"In our view these discussions could be concluded in the near future," it said.

"Support from the German state constitutes an essential step towards ensuring our future," it added, as Europe begins to ease measures taken to stem the spread of COVID-19.

Like airlines worldwide, Lufthansa and its subsidiaries that include Swiss and Austrian Airlines have been essentially grounded and face an [uncertain future](#) once operations are fully up and running again.

In April, chief executive Carsten Spohr said the group was carrying fewer than 3,000 passengers daily compared with a pre-pandemic average of around 350,000 a day.

"We are losing about a million euros in liquidity reserves per hour. Day and night. Week by week," Spohr said.

According to Der Spiegel, the German government is holding out for a stake of just over 25 percent in the group in exchange for financial aid, which would put Berlin in a position to block [strategic decisions](#) by Lufthansa management.

No blank cheques

The Social Democratic Party (SPD), which includes Finance Minister Olaf Scholz among its ranks, has warned Lufthansa it cannot expect a blank cheque from Berlin.

"The state is not some idiot that will just hand over money and have no say after that," SPD leader Carsten Schneider told the daily Die Welt in comments to appear on Monday.

In particular, he ruled out dividend payments to Lufthansa shareholders if the company received state aid.

But Lufthansa directors have warned that without such aid they could declare insolvency to benefit from a grace period during which they could try to sort out the group's finances.

That might mean job cuts, especially given that Spohr has said there are now 10,000 too many workers given the state of Lufthansa's operations.

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The director's letter to staff nonetheless voiced optimism, saying: "We are still convinced, in light of the talks with Berlin, that we will not have to go with alternative options."

Swiss authorities have already agreed to guarantee loans of up to 1.2 billion euros to Lufthansa, while Austrian Airlines has asked the government in Vienna for 767 million euros in state aid.

The group's supervisory board is to meet on Monday, and hold an online general assembly a day later.

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