

Shareholders back bailout to rescue Lufthansa

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Lufthansa employees hit the streets to encourage shareholders to back the bailout plan

Lufthansa shareholders on Thursday overwhelmingly backed a nine billion euro (\$10 billion) bailout by the German government, saving Europe's largest airline group from bankruptcy after the coronavirus

crushed travel demand.

Over 98 percent of shareholders accounting for 39 percent of Lufthansa stock voted in favour of the rescue package in a special meeting held online because of the pandemic.

"We will make this work, thank you for your trust," chairman Karl-Ludwig Kley said.

The bailout will see the German state take a 20-percent stake in the group, bringing it back on board for the first time since Lufthansa's 1997 privatisation.

CEO Carsten Spohr said the shareholders' green light gave Lufthansa and its 138,000 employees "a perspective for a successful future".

Ahead of the vote, Spohr urged investors to seize a "historic moment" to secure the survival of the airline giant.

Their blessing was all but guaranteed after the group's biggest shareholder, German rail industry tycoon Heinz Hermann Thiele, dropped his objections to the bailout at the 11th hour.

German Economy Minister Peter Altmaier called the green light "good news" for employees and said the rescue package gave Lufthansa the chance "to overcome the biggest crisis in its history".

The government "will not meddle" in Lufthansa's day-to-day business, he added.



Lufthansa employees have taken to the pavement to encourage shareholders to

approve the deal

Job fears

Dozens of Lufthansa employees rallied at Frankfurt airport Thursday, many wearing face masks against the virus.

"Lift us up where we belong, vote yes!" read one sign carried by a demonstrator, while another said "We are Lufthansa, we are family".

Even with government aid, Spohr has warned Lufthansa may have to slash thousands of jobs as demand for flights is expected to stay below pre-pandemic levels for years.

But in a boost for the beleaguered group, it struck a deal with German flight attendants' union UFO late Wednesday to cut 500 million euros in costs by 2023 while avoiding cabin crew layoffs.

The savings will be achieved through measures including pay freezes, reduced flight hours, early retirement and unpaid leave, both sides said.

The agreement still needs to be approved by union members but UFO spokesman Nicoley Baublies said it "brings urgently needed job security" for Lufthansa's 22,000 flight attendants.

Spohr said talks with the VC pilots' union were headed in a similar direction but negotiations with the powerful Verdi union representing ground staff were "disappointing".

Verdi and VC both hailed Thursday's vote outcome, with the pilots' union calling it a "step in the right direction" that allows for the "orderly

continuation" of Lufthansa operations.



Low-cost airline Ryanair, which has complained about government rescues spoiling competition between airlines, has said it will challenge Lufthansa's bailout

Tough conditions

Earlier Thursday, the European Commission also signed off on the Lufthansa bailout, which consists of a six-billion-euro capital injection from Berlin and three billion in public loan guarantees.

But the EU imposed strict conditions, saying Lufthansa would have to

make room for rivals at the Frankfurt and Munich airports to ensure fair competition.

Nevertheless, low-cost rival Ryanair immediately announced it would challenge Lufthansa's rescue in an EU court.

Global air travel has picked up recently as lockdowns are lifted but the airline industry's climb out of the coronavirus storm promises to be long and arduous.

Lufthansa expects its timetable to still remain 60 percent below pre-pandemic levels come September.

Further into the future, around 100 of Lufthansa's present fleet of 763 aircraft will likely be surplus to requirements.

Spohr told shareholders the group would "work very hard" to "repay every cent" of the state aid to taxpayers, but warned that Lufthansa would emerge smaller from the crisis.



Lufthansa, like many other airlines, has been swamped by demands for refunds just as it needs to hold on to cash to survive

Refunds

He also acknowledged that many customers were "disappointed and upset" over the delays in getting their cancelled flights refunded after countries slammed their borders shut earlier this year because of COVID-19.

"I assure you: every customer who wants a refund will get their money back," Spohr said, vowing to clear the backlog worth hundreds of millions of euros within six weeks.

Lufthansa has also sought support from other governments to shore up subsidiaries.

Vienna has granted Austrian Airlines aid totalling 450 million euros, while Swiss and Edelweiss received loans totalling 1.2 billion euros from Bern.

Talks continue with the Belgian government over Brussels Airlines, which plans to shed 1,000 jobs.

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