

# Lufthansa in talks for partial German nationalisation

7 May 2020, by Tom Barfield



Bleeding cash

German airline giant Lufthansa confirmed Thursday that it is in talks for Berlin to offer support worth nine billion euros (\$9.7 billion) in exchange for a 25-percent stake in the company, as the coronavirus batters the world's carriers.

The "stabilisation package" under discussion with the Federal Economic Stabilisation Fund (WSF) launched in March would include "a silent participation and a secured loan", Lufthansa said.

"The conditions are currently being discussed. A stake by the German government in the company's share capital is also part of the negotiations."

A 25-percent stake in the group would put Berlin in a position to block decisions by Lufthansa management, allowing it to shape corporate strategy.

Earlier Thursday, Economy Minister Peter Altmaier had told tabloid-style daily Bild Lufthansa was part of Germany's "family silver" and that Berlin aimed to avoid a "fire sale" of valuable firms.

Meanwhile Bloomberg news reported that some members of Altmaier and Chancellor Angela

Merkel's centre-right CDU/CSU parliamentary group were holding up talks with opposition to a direct government stake in Lufthansa.

"The negotiations and the process of political decision-making are still ongoing," the airline said in its statement.

## 'Not some idiot'

Lufthansa chief executive Carsten Spohr has previously warned that the group is bleeding cash and might have to declare insolvency.

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, 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.

Around 700 of its roughly 760 aircraft are currently parked at airports and more than 80,000 of its 130,000 staff are on part-time work schemes.

The Social Democratic Party (SPD), junior partner in Merkel's ruling coalition, 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 deputy Carsten Schneider told the daily Die Welt 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 staff given the state of Lufthansa's operations.

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.

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