FAILURE OF GERMAN TRANSPORT POLICY IN THE CASE OF LUFTHANSA: A CRITICAL ECONOMIC APPROACH

Wolfgang H. Schulz, Zeppelin University, Friedrichshafen, Germany
Oliver Franck, Zeppelin University, Friedrichshafen, Germany
Stanley Smolka, Zeppelin University, Friedrichshafen, Germany
Vincent Geilenberg, Zeppelin University, Friedrichshafen, Germany

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ABSTRACT:

The Covid-19 pandemic not only poses enormous challenges to all societies around the world but also reveals system-inherent weaknesses in German transport policy and the activities of large private companies. Apparently healthy global companies, which have gained profits of several billion euros in recent years, were already screaming for state aid when the economy began to struggle with the effects of the Covid-19 pandemic. The prime example is the Deutsche Lufthansa Group. Less than a year before the Covid-19 pandemic hit Europe, the Lufthansa Group's Supervisory decided that 10 percent of the company's share capital should be used for share buyback programmes. For this reason these liquid funds were missing for „bad times". At the same time, the German government helped the company with state aid of over 9.2 billion Euros and now holds a 20.05 per cent stake in the Lufthansa Group. Instead of buying into the private ownership structure of Deutsche Lufthansa as a state, the German government should declare the transport industry to be a public service and thus provide a basic service, for example by purchasing seat contingents, both for the Lufthansa Group and for the end consumer and taxpayer, so that the overall economic welfare – despite the crisis situation – is stabilised and economic recovery can take place quickly after the crisis.
The present paper analyses the case of the Lufthansa Group and evaluates regulatory solutions as to how the Covid-19 pandemic could have been managed in a sustainable and welfare-maximising manner.
The present paper follows a theoretical-analytical research approach, with included model-theoretical solutions.
In order to maintain services of general interest, the state must purchase transport services to the extent necessary to ensure that the transport companies reach the break-even point in times of crisis, thus ensuring the continuation of business operations while maintaining direct and indirect economic effects.

Keywords: *Lufthansa, Covid-19, State aid, Share buyback programme*

1. INTRODUCTION

The Covid-19 pandemic has a fundamental impact on the global economy. In particular, the tourism, travel and mobility industries have been particularly affected by the travel restrictions and global lockdown. Previous crises such as the Gulf War, 09/11 and the SARS virus had a severe impact on the aviation industry, but Covid-19 has a far greater impact on it. Obviously, this is not a short-term economic recession, but the aftermath of this economic crisis will certainly last for a number of years. The CEO of the Lufthansa Group, Carsten Spohr, assumes that Lufthansa will not reach pre-pandemic levels until the year 2024. Until then, far-reaching entrepreneurial decisions will have to be made in order to implement a sustainable and effective business recovery operation, because currently a large proportion (up to 30%) of the workforce will have to be laid off and will most likely have to be re-hired after the crisis, which in turn will lead to considerable transaction costs on the part of the Lufthansa Group and the economy. The current solution comprises state aid of 9 billion euros and the decommissioning of a large part of the aircrafts, which in turn will lead to a considerable number of pilots and service personnel not needed anymore. It can be stated that for each aircraft decommissioned, about 100 employees will lose their job. To date, up to 100 aircraft are to be decommissioned, which in total would result in the dismissal of