



POLICY BRIEF

For decision-makers in politics, the media and business

2/18



Aviation security checks: coalition agreement points the way ahead	1
Framework conditions in aviation: allow an appropriate level of growth	2
EU Commission: commitment to fair competition	3
Airports: regulation is needed	4
Lounge: what has happened to the “fried egg”?	5
Telegram: linking air and rail transport Flights to Africa Crane protection Employer ranking	6
Contact: your points of contact at the Lufthansa Group	7

Aviation security checks

COALITION AGREEMENT POINTS THE WAY AHEAD

In aviation, safety is given the highest priority. The measures taken in this regard are effective. As a result, 2017 was the safest year in the history of commercial aviation. The security checks carried out on passengers and baggage play an important role in this. Now it is a matter of optimizing these processes – whilst maintaining this high level of security.

New government points the way ahead

According to their coalition agreement, CDU/CSU and SPD want to see improvements in efficiency and customer-friendly security checking processes. It is the view of the Lufthansa Group that this theme is critical if we are to strengthen Germany as a location for air transport. The current scenario in Germany is that the federal police is responsible for a broad spectrum of tasks. Decisions on what technology is used, the sequence of processes, the number of personnel employed at each checkpoint and how the level of quality is assured are all the responsibility of the authorities. Structured collaboration with the air traffic industry has been intensified over the past year. For good reason – every day more than 400,000 passengers put their trust in the airlines of the Lufthansa Group alone.

Develop successful collaboration

A groundbreaking example here is a pilot project at Cologne/Bonn Airport which has been concluded in the meantime – the federal police, security services, and a number of experts from the airport and the Lufthansa Group have worked together to develop and set up a completely new kind of security check area for the airport. Never before has there been such close collaboration between the air transport industry and the federal police. The project was a success – whilst retaining a consistently high level of security, the level of efficiency of the security technology and checking procedures was significantly improved. There was also a positive response from passengers and employees to the clearly arranged and friendly design of the security check area.

“ With the goal of achieving the highest possible level of security and in order to guarantee a customer-friendly approach and economic efficiency, we want to undertake further developments to the system and the processes of aviation security checking and (...) to develop proposals which can be implemented in the current legislation.”

Excerpt from the coalition agreement

Cologne/Bonn has demonstrated that it is possible in Germany too to achieve an intensive systems partnership in the area of aviation security checks – as has been the practice in other EU states for many years. This collaboration is becoming even more important as the continuing rise in passenger numbers brings with it additional challenges for the security check areas. It is today already the case that many travelers see the security checks as not only necessary but also very time-consuming.

The federal government must go ahead

Lufthansa supports the federal government in incorporating the positive results achieved in Cologne/Bonn into the current legislation of many other airports. This also applies to the evaluation and establishment of new models regarding the responsibility for the setting up and management of aviation security check areas.



EASY SECURITY

The security check area “Easy Security” at Cologne/Bonn Airport was the result of a project which involved close collaboration between the Federal Ministry of the Interior (BMI), the German Aviation Association (BDL) and the air transport industry itself. Options for optimization were tried out in a number of pilot studies in advance of the actual test phase, looking at areas such as planning, passenger management and passenger information, as well as the design of the security check area. The one-year test run has in the meantime now been concluded and has provided a positive impetus for further steps to be undertaken in the collaboration between the air transport industry and the federal police.

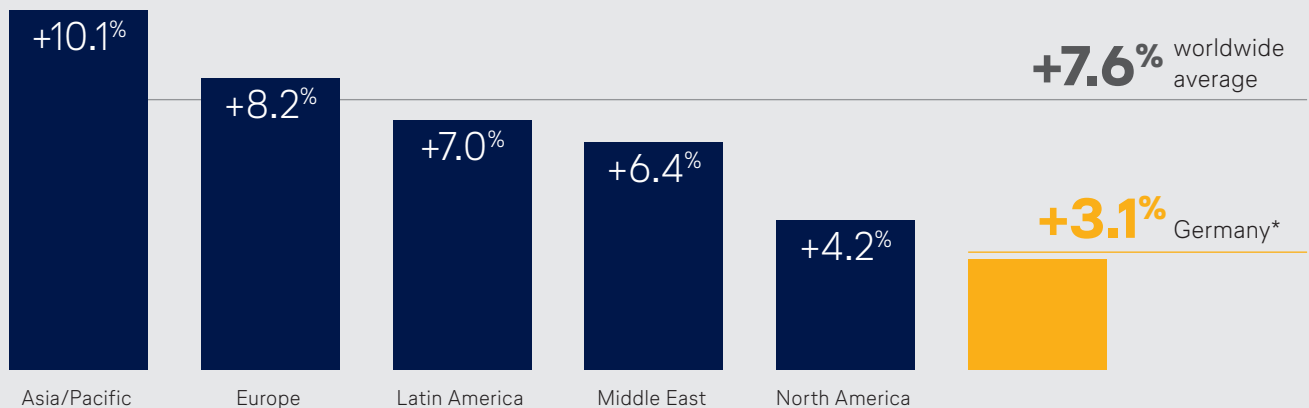
Framework conditions in aviation

ALLOW AN APPROPRIATE LEVEL OF GROWTH

In 2017, airlines worldwide grew in size by 7.6 percent. In Europe, a figure of 8.2 percent was recorded. The figures for German airlines are in stark contrast to this, however, with a growth rate of only 3.1 percent. Government policy can to a considerable extent help to enable the domestic air transport sector to catch up again in the future.

THE GROWTH RATE OF GERMAN AIRLINES IS BELOW AVERAGE

Growth of airlines according to region in the year 2017; in passenger kilometers sold



* includes projected transport figures for Air Berlin from August 2017; sources: DESTATIS, IWF, SVR, IATA, BDL

Three themes need to be given priority

The lost opportunities for growth are closely associated with national charges which other air transport locations do not have to reckon with.

- **Aviation tax** – in 2017 alone, German airlines had to pay EUR 590 million to the tax authorities in aviation tax. There are very few countries that place such demands on their airline industry – in fact, quite the opposite. Austria recently cut their aviation tax in half; Ireland and the Netherlands have abolished it completely. Three countries, one goal – to get rid of additional charges in order to stimulate growth far beyond just the airline industry. The figures for Germany are also convincing. According to the calculations of PricewaterhouseCoopers, abolishing aviation tax by 2020 would trigger an annual GDP growth of EUR 4.1 billion, would create 12,000 new jobs – and in doing so would bring in increased income for the tax authorities.
- **Aviation security costs** – in Germany, the costs for security checks on passengers and baggage are charged to the airlines in the form of aviation security fees. Between the years 2011 and 2017, these costs increased by 64 percent to

EUR 693 million per year. In Germany, this figure is passed on in full to the airlines. The situation is different in Italy, Spain and the US, for example, where the state assumes up to two thirds of the costs. There is good reason for this, as the protection of citizens against terrorist attacks – which is, after all, the objective of the security checks – is one of the state's core tasks. This is also the way the new federal government sees things and, according to the coalition agreement, they are in favor of the state taking on a larger share of aviation security costs.

- **Operating hours** – even as things stand today, the restrictions imposed on night flying in German airports are considered strict by international comparison. For example, Frankfurt, as an international hub, is completely closed between the hours of 11.00 pm and 5.00 am – a stark contrast to all comparable competitor airports in Europe and the Middle East. As the infrastructure – which cost many billions of euros – has therefore to be amortized within shorter working hours, the German air transport sector is effectively more expensive in structural terms. The ever-increasing additional fees levied on noise-related charges also represent a financial burden for airlines and lead de facto to a ban on night flights in economic terms.

EU Commission

COMMITMENT TO FAIR COMPETITION

Europe's prosperity is closely linked to the diversity of flight connections available. Domestic airlines have a special role to play here – via their various hubs, they not only connect the continent with the rest of the world, they also connect the cities and regions of Europe with one another. With a new directive to address fair competition, the EU Commission wants to ensure that this very special aspect is retained in the future too.

Long-haul routes – indispensable for mobility within Europe

The major hubs such as Frankfurt, London and Paris are known for their flight connections with the whole world. What is less well-known is the fact that these airports also play a decisive role in providing a diversity of flight connections – known in Brussels jargon as connectivity – within Europe. These long-haul routes are connected by dozens of feeder flights going across Europe. These include flights which are not only booked by long distance travelers but also by passengers whose destinations are within Europe. If the customer group of long distance travelers shrinks, then many routes to the hubs will no longer be worth operating – and the diversity of connections between the regions will decline.

It therefore becomes all the more important that network carriers such as Air France/KLM and the Lufthansa Group continue to offer their long-haul routes in the future. The basis for this is fair competition with non-European airlines. This is precisely what the EU Commission wants to ensure with their new directive. According to this, in the case that EU airlines

are demonstrably being disadvantaged by an unfair practice of a non-member state, the EU will in future be able to take counteractive steps. Other countries, such as the USA, have already introduced laws to this effect. From Lufthansa's point of view, these are the key issues:

- The possible measures should have a preventative effect and should from the outset deter non-member countries from violating the rules of fair competition.
- EU airlines must be able to seriously defend themselves against unfair competition. The right to make a complaint in accordance with this must therefore be effective and realistic in terms of usability
- It must be possible for investigations which have been initiated to be concluded quickly and in a consistent manner by the European Commission.

Lufthansa has always believed in open access to markets. This brings benefits for both airlines and customers alike. However – the more open a market is, the more important it is that everyone is playing by the same set of rules.

DOMESTIC AIRLINES SECURE EUROPE'S CONNECTIVITY

In many cases, indirect flights within Europe are worth operating because they transport passengers to their long-haul routes – if long-haul flights are dropped because of unfair competition, this would have medium to long-term effects on connectivity within Europe.

Example Estonia

Destinations from Tallin

39

direct

187

indirect*

Example Latvia

Destinations from Riga

72

direct

177

indirect*

Example Slovenia

Destinations from Ljubljana

22

direct

132

indirect*

Example Slovakia

Destinations from Bratislava

43

direct

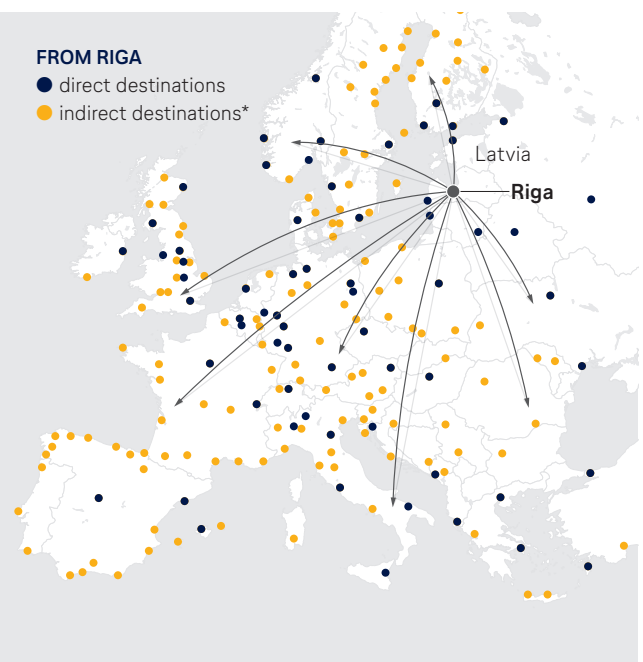
68

indirect*

FROM RIGA

● direct destinations

● indirect destinations*



* change flights once, maximum transit time under 2 hours; source – OAG 2017

Airports

REGULATION IS NEEDED

Guest article by Paul A. Steele, Corporate Secretary, International Air Transport Association (IATA)

“ Airlines are subjected to an enormous amount of pressure from competitors. Many of the large airports have things somewhat easier, however. At the end of 2017, as the world's largest airline association, we carried out an evaluation using an extensive volume of data. The bottom line – countless major airports are able to exercise a significant degree of market power. We are asking our politicians to harness this power through a fair system of regulation.

The airlines have very little freedom in their choice of destination airports. Firstly, in order to run a profitable operation, they have to respond to the preferences of their passengers. They will otherwise lose customers and will be operating flights that are only half-full. Secondly, it is extremely costly to relocate long-haul flights – which are linked with countless feeder flights – to any great extent or even completely. Thirdly, the capacities of potential alternative locations are limited. Overall, this has led to a situation in which the major airports have a significant degree of market power.

Evidence of this can be seen in the disproportionate increases in airport charges. Our analysis has shown that, between 2006 and 2016, the proportion of airport fees in ticket prices more than doubled. If these had remained constant in the same period, the consumer would have been able to save an average of EUR 17 per flight. At the end of the day, it is the consumer who loses out.

Where balancing market mechanisms are not effective, then politicians need to take action in the interest of the location

IATA

The International Air Transport Association (IATA) represents 280 airlines from 120 countries. Their members handle around 83 percent of air traffic worldwide. In 2016, they:

- transported 2.6 billion people
- transported 50 million metric tons of air-freight
- covered 5.6 trillion passenger kilometers



in question. We expressly advocate a 3-tier regulatory system depending on the level of market power of the particular airport. In accordance with this, airports with a good deal of market power would be comprehensively regulated by an independent body. A possible candidate for Germany would, for example, be the Federal Network Agency who have for many years ensured fair conditions for those participating in sectors such as rail, post and telecommunications. With airports which only have a moderate degree of market power, this is not so necessary. In this case, it would be sufficient for stricter EU guidelines to be adopted than those in use to date. For the remaining, mostly smaller airports, the existing EU and international provisions are adequate.

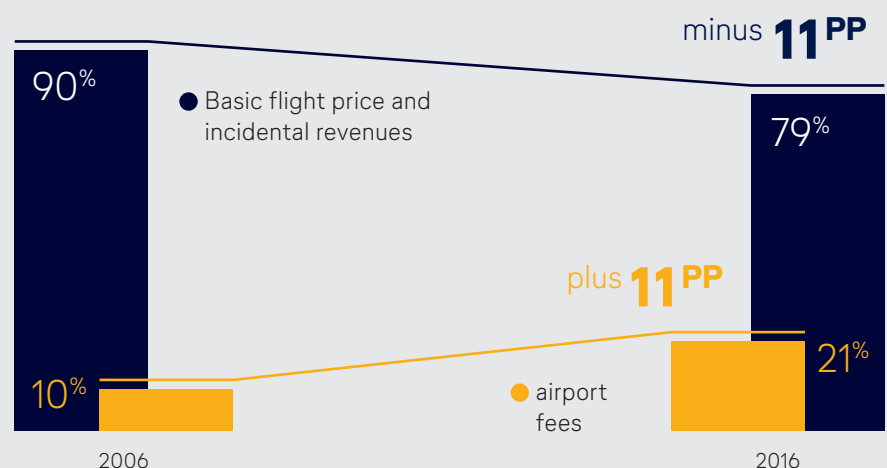
Through their passengers, the airlines bring the airports millions of euros in commercial revenues. This needs to be taken into consideration in the airport fees which are ultimately paid by the passengers in their ticket prices.”

PAUL STEELE

Corporate Secretary, IATA



AIRPORT CHARGES ARE INCREASING AT A CLEARLY DISPROPORTIONATE RATE



Lounge

WHAT HAS HAPPENED TO THE “FRIED EGG”?

After 30 years, Lufthansa has taken on a new look. The most marked change: the yellow circle on the tail fin – which was sometimes likened to a fried egg – has disappeared, and the crane symbol now appears on a darker blue background.

Boeing 747-8 (2018)



Boeing 747-400 (1989)



1,100 liters

of paint are needed to paint a Boeing 747-8.

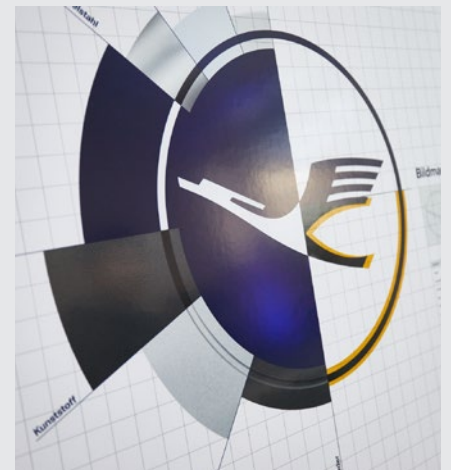
7 years

is the time span it will take until all the aircraft in the Lufthansa fleet are flying in the new design.



52 versions

of the letter “a” were tried out before the final version was decided upon.



Color scheme

The blue/yellow color combination will remain in use. However, the use of these primary colors has been redefined – the blue is a little darker, more high-class, and will become the leading brand color. The yellow will be reduced in quantity but, in terms of quality, it is being upgraded and can therefore serve to a greater extent as a means of orientation – whether it is used at the airport or in the aircraft itself.

100 years of the crane symbol

In 1918, the graphic designer and architect Otto Firlé designed a stylised bird for the “Deutsche Luft-Reederei”, a predecessor airline of Luft Hansa. Over the past 100 years, the crane has become the unmistakable symbol of the Lufthansa brand – and Germany’s ambassador across the whole world.

Telegram

Linking air and rail transport

LUFTHANSA EXPANDS ITS OFFERING

Sustainable mobility concepts aim at finding optimal ways to link various different modes of transport. This is particularly relevant to Frankfurt as an air transport hub which draws over 200,000 travelers a day at peak times of the year.

Lufthansa and Deutsche Bahn's Express-Rail offer is making a contribution in this area and is currently undergoing significant expansion – since mid-February, in addition to cities such as Cologne, Stuttgart and Dortmund, the main stations at Nuremberg and Würzburg have also been included in the program. Further cities will follow in the coming year. The benefits for Lufthansa Express-Rail guests include: the booked flight ticket can already be used on the rail journey, seats are reserved, Miles&More miles can be earned, and, in the case of unexpected train or flight delays, Lufthansa will rebook their passengers onto a connecting train or flight.

Crane protection

MANY DECADES OF COMMITMENT TO BE CONTINUED

Lufthansa has been involved in the protection of cranes since the 1980s. Their successful collaboration with NABU (Nature and Biodiversity Conservation Union e.V.), who are partners in Crane Protection Germany gGmbH, will be continued – in mid-February, the Lufthansa Group renewed their partnership agreement. In doing so, the partners are building on their joint successes of the past few years, such as the setting up of the fully accessible crane observation center KRANORAMA at the 'Günzer See' and the NABU Crane Center in Gross Mohrdorf. The center is situated in Europe's most important roosting ground for the common crane and attracts more than 15,000 visitors every year.

www.kraniche.de

Flights to Africa

GROWING FASTER THAN ANY OTHER REGION OF THE WORLD

The Lufthansa Group flies to more than 40 destinations in Africa. On average, an aircraft belonging to Austrian Airlines, Brussels Airlines, Eurowings, Lufthansa or Swiss takes off somewhere on the African continent every 49 minutes. There is no other region of the world where the Lufthansa Group is experiencing faster growth. Furthermore, the company has strong partnership agreements with airlines such as Ethiopian Airlines and South African Airways.

The Lufthansa Group's commitment in this part of the world also has a political dimension. Air transport connects the continent in a way that no other mode of transport can do with the streams of tourists and goods which come from all over the world, and is of vital importance for the growth and prosperity of the various individual economies. Politicians can support this development – through the further liberalization of the air traffic markets which would bring long-term benefits for both Europe and for the African continent..

MOBILITY FOR AFRICA

- Destinations of the Lufthansa Group
- Code-share destinations – directly bookable through Lufthansa Group airlines



Employer ranking

LUFTHANSA OCCUPIES TOP SPOTS

Lufthansa is rated highly with students as a potential employer, according to the latest results of the Universum Student Survey, in which around 40,000 students took part. Lufthansa Technik was in 8th place among students of engineering. The Lufthansa Group, on the other hand, came 6th with economics students and even achieved fourth place with humanities students. The good news for potential candidates? In the current year, the Lufthansa Group will be taking on more than 8,000 new employees – more than ever before.

Lufthansa Group

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