



LUFTHANSA LOOKS AT SAS IN MOVE TO ACCELERATE AIRLINE CONSOLIDATION IN EUROPE

News / Airlines



Deutsche Lufthansa AG Chief Executive Officer Carsten Spohr said the German carrier wants to play a role in the further consolidation of Europe's airlines, while suggesting that full mergers aren't the only option.

Responding to reports that Lufthansa is exploring bids for Scandinavian Airlines parent SAS AB and the Condor arm of Thomas Cook Group Plc, Spohr said Friday that the stories "have the wrong sources," without elaborating.

"We've said consolidation in Europe is needed, and that we want to be a part of it," the CEO said in an interview in Munich. "So we are speaking with everyone, and everyone is speaking to us."

Acquisitions could allow Lufthansa to expand its Eurowings discount arm even as a transfer of flights from its main brand is opposed by unions. At the same time, they'd add complexity when Spohr is trying to simplify operations, and full-service carriers like SAS would most likely increase rather than cut costs.

‘No Hurry’

Asked whether Lufthansa was open to spending money buying airlines outright, or would prefer other forms of partnership, Spohr said that “consolidation can take different shapes or forms.” He added: “We are in no hurry. We have to make sure Eurowings works first.”

SAS shares rose as much as 7.2 percent April 13 after Reuters said Lufthansa had been in talks about buying a stake — as well as other options — since last fall, citing people close to the German company. The tri-national Nordic carrier has a market value of about 7.5 billion kronor (\$930 million).

SAS “is one of the highest unit cost airlines in Europe,” and unlikely to form part of a low-cost platform, according to Jonathan Wober, an analyst at CAPA. The simplest option might be for Lufthansa to add its Star Alliance partner to a trans-Atlantic venture with United Continental Holdings Inc. and Air Canada.

Reuters reported today that Lufthansa is also seeking a partnership with, or takeover of, Condor to expand Eurowings in the inter-continental market. That’s after the holiday carrier’s long-haul chief Jens Boyd told Bloomberg in December that teaming with Lufthansa might be an option on such flights.

Lufthansa said last month it will decide whether to buy control of Brussels Airlines this quarter. The investment case may be clearer since it already owns 45 percent of a carrier that returned to profit in 2015 and has useful African links. Still, Lufthansa has passed on the option since taking the stake for 65 million euros (\$73 million) in 2008, and traffic to Brussels has slumped after the terrorist attacks on Zaventem airport.

Lufthansa planned to turn Eurowings into Europe’s No. 3 low-cost operator by swelling it with the transfer of short-haul flights that don’t feed its Frankfurt or Munich hubs. Pilot unions have resisted the move and Spohr says he won’t fire anyone, meaning the plan can proceed only as crews retire.

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