



LUFTHANSA'S LOW-COST CARRIER, ALTHOUGH PROFITABLE, STILL STRUGGLES

News / Airlines



Deutsche Lufthansa AG is pushing to keep its low-cost Eurowings unit profitable even after delays in ramping up long-haul services added costs to the German carrier's effort to respond to the likes of Ryanair Holdings Plc.

Lower fuel costs and planes filling up better than planned have helped offset the impacts from the delays and a drop in travel demand following terror attacks in Paris, Turkey and Egypt, Karl Ulrich Garnadt, Lufthansa's board member responsible for Eurowings, said in an interview in Berlin on Wednesday. The tailwinds should help the unit stay profitable as Lufthansa seeks to expand it into Europe's third-largest low-cost carrier.

"Eurowings made money last year, that's a great success," Garnadt said at a trade show in Berlin. "We had delays starting new routes, but that's not a principal issue, just delays. We have better load factors than anticipated, and fuel-price development helps a lot, so over the course of the business plan, we will be fully in line."

Lufthansa's discount arm has been struggling to deliver as employees resist efforts to cut expenses on European routes and long-haul services were blighted by a series of unlikely setbacks, including pilots falling ill to a tropical disease. Lufthansa has vowed to ensure the unit makes money from the start.

'Learning Curve'

Defending its home turf against Ryanair and EasyJet Plc is a key pillar of Chief Executive Officer Carsten Spohr's strategy. Bundling Lufthansa's discount and network airlines and efforts to lower expenses have been met by fierce opposition from unions, with strikes shaving about 500 million euros off of operating profit in 2014 and 2015.

Eurowings has been on a "steep learning curve" with its long-haul services, which has led to a delay in the start of services from Cologne to Boston, Miami, Las Vegas and Tehran, Garnadt said. Even so, load factors on the long-haul routes that are up and running stood at 94.7 percent in the first two months of 2016, the carrier said.

With four more Airbus Group SE A330 aircraft joining the current fleet of two later this year, the long-haul schedule should become more stable, the executive said. He added that demand for city trips, a key driver for low-cost, point-to-point flying, has come back and destinations like Turkey are also recovering, which should also help the unit's short-haul services.

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