

## Sujet

### Flying high

Germany's national airline is weathering difficult times well

Not all is gloom in Germany, nor at every big airline. This week, despite a feeble economy and fragile demand for air travel, Lufthansa, the national flag-carrier, reported a pre-tax profit of 650m Euros (\$601m) for the first nine months of 2002, more than two-and-a-half times its  
5 2001 result.

The key has been cost-cutting. Revenues actually fell over the period by 2.9 % in passenger transport, Lufthansa's biggest division, and 4.5 % in cargo (...) [but] operating costs are 8 % lower than a year ago. Jürgen Weber, chief executive, says he feels "honoured" to be nicknamed *der Rechner* (the calculator).

10 The trick, says Wolfgang Mayrhuber, who succeeds Mr Weber next year, is "in simple words, you should not produce more than you sell." While Lufthansa has adjusted its fleet capacity to meet demand, he argues that America's loss-making big airlines have concentrated on maintaining market share, "which you can only do if you have your costs under control."

Lufthansa also managed to squeeze labour costs. In America last year, for example, it cut  
15 4,000 jobs at its catering division. Elsewhere, wages have been reduced by trimming working time instead of sacking people (helpfully, managers also took a pay cut). Mr Mayrhuber insists this choice had nothing to do with German labour laws. Jobs can be shed if need be, he says : 8,500 went in 1992, when Lufthansa was in deep difficulty. This time, he says, "We didn't want to fire, and then hire again and retrain."

20 Indeed, Lufthansa plans to hire 1,800 cabin crew and 340 trainee pilots in the next year—if it can control wages. Last year, after hobbling the airline with strikes, pilots won a handsome pay deal. Now, emboldened by Lufthansa's renewed health, unions want a pay rise of 9 % for cabin and ground staff. The company is braced for a fight. "Don't saw off the branch you are sitting on," barked Mr Weber this week.

25 Surprisingly, Lufthansa is more relaxed about the imminent invasion of German airspace by cut-price airlines than it is about other impending difficulties, such as the sagging economy and expected tax rises. Soon, Germany should have ten or so such airlines, operating about 60 aircraft. There will not be room for all. On current plans, says Cell Consulting, an airline-economics firm, the supply of cheap seats would outstrip demand by 20-30 % by 2007.

30 Among current airlines, charter operators are the most vulnerable. But what about comfy old Lufthansa?

In the cut-price market, it already owns 24.9 % of Eurowings, a small airline which has just converted its charter arm into a no-frills operation, germanwings. But this was Eurowings' decision, says Mr Mayrhuber : it is not a market Lufthansa seeks to be in. He would prefer to  
35 invest in a new Boeing 747 to serve a lucrative long-haul route. Lufthansa's recent fare cuts, says the company, are designed simply to fill seats, not to fend off cut-price rivals.

Lufthansa argues that the two markets are separate, and that it is better off sticking to the one it knows. The cut-price airlines fly from point to point, turning their aircraft around quickly, with no connections, only one class and no rebooking. Lufthansa and its partners run complex  
40 interconnecting networks, aiming at "seamless global travel." In other words, there is little direct competition. "So far we have not one route where we compete, for instance, with Ryanair," Mr Mayrhuber insists.

The Irish no-frills airline, which also revealed a big rise in profits this week, might disagree. It touts its Hahn base, 100 km from Frankfurt, as a substitute for Lufthansa's main hub. Is there  
45 not a risk that cheap, point-to-point flights will nibble at the edges of Lufthansa's network ? (...)

**I - COMPREHENSION DU TEXTE (sur 40 points)**

*Answer these questions briefly and completely. Read all the questions before answering.*

1. Compare Lufthansa's situation to the global situation of air travel.
2. Did Lufthansa achieve good results ? How ?
3. What does Mr Mayrhuber mean when he says : "You should not produce more than you sell" ?
4. What's the difference between Lufthansa and American airline companies ?
5. How did Lufthansa reduce labour costs ?
6. Why has Lufthansa not laid off workers this year ?
7. Why do cabin and ground staff want a 9 % pay rise ?
8. Is Lufthansa interested in cut-price airlines ? Why ?
9. What is aimed at through the recent price cuts in Lufthansa's fares ?
10. Explain the difference between Lufthansa and cut-price airlines.

**II - VERSION (sur 30 points)**

*Translate the following passages :*

1. " Not all is gloom in Germany, nor at every big airline." (line 1)
2. *From* "Elsewhere, wages have been reduced..." (line 15)  
*to* "...a pay cut)" (line 16)
3. *From* "Surprisingly, Lufthansa is more relaxed..." (line 25)  
*to* "...expected tax rises" (line 27)
4. "He would prefer to invest in a new Boeing 747 to serve a lucrative long-haul route" (lines 34-35)

### **III - EXPRESSION (sur 30 points)**

4/4

How can you stay competitive when going through a crisis ? Basing your answer on the information you can draw from this article about air travel, you may also refer to other products or other possible solutions.