

Berlin-based airline files for bankruptcy

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On Tuesday, the Berlin-based airline Germania filed for bankruptcy. Around 1,700 employees and many passengers are immediately affected. They were all surprised by the announcement and left stranded at home or abroad.

Last week it was reported that the airline was unable to pay salaries for January. The airline management denied the report and said the company was merely suffering from short-term financial problems. Early Tuesday morning, a company spokesman suddenly announced that the sub-companies Germania airline GmbH, Germania Technik Brandenburg GmbH and Germania Flugdienste GmbH had filed for bankruptcy at the district court of Berlin-Charlottenburg. Flight operations were cancelled overnight.

Germania is Germany's fourth largest airline. Its closure is another blow to the employees of the aviation industry, following the bankruptcy of Air Berlin a year and a half ago.

Germania had operated for 30 years as a scheduled and charter airline and had developed into a popular company for holiday flights. It was closely associated with regional airports, such as Rostock-Laage, Dresden, Erfurt, Bremen and Münster-Osnabrück, which now fear for their own futures. For many years, Germania had specialised in non-mainstream routes and was therefore not regarded as a rival to the country's major airlines.

In addition to holiday flights to Mallorca, the airline focussed on flights to Turkey, and Turks living in Germany regularly used the company to fly home. Only a part of the fleet flew routes within its own network. Another part was leased to other companies. Germania flew on behalf of major tour operators and also used two Airbus aircraft for company transport.

In total, Germania transported more than 4 million passengers a year to more than 60 destinations on short- and medium-haul routes. Together with Swiss

Germania Flugbetrieb AG and Bulgarian Eagle, Germania possessed a fleet of 37 aircraft.

Management had reacted to growing competition in recent years with a massive expansion programme. In the summer of 2016, it bought a total of 25 aircraft of the Airbus A320neo series, due to be delivered by 2020. The bankruptcy of rival Air Berlin in October 2017 was also used by Germania CEO Karsten Balke to take over part of the Air Berlin business. For example, Germania offered around 40 percent more flights in 2018 than in the previous year.

This intensified the company's competition with Lufthansa and its budget subsidiary Eurowings, on the one hand, and low-cost airlines such as Ryanair and Easyjet on the other.

According to the *Handelsblatt* business newspaper, which cites the Germania annual report, the company made a loss of €40 million in 2016/17, based on a turnover of €450 million, with losses even heavier in 2018. In the end, the company did not have enough money to make a down payment for the 25 new aircraft it had ordered.

In the case of the bankruptcy of Air Berlin, the German government agreed to provide a bridging loan amounting to €150 million, but this time around it has refused to support Germania. "This is how the market economy works," said the federal Economics Minister Peter Altmaier. Success and failure were part of the game. If the state intervenes "arbitrarily" to save companies, this leads to "false allocations" with high economic costs.

In the case of Air Berlin, the state bridging loan was directly linked to support for Germany's main carrier, Lufthansa, and once again, the refusal of support for Germania is aimed at boosting Lufthansa. The latter airline has announced "generous help" for stranded Germania passengers, and is preparing to extract plum parts of the failed airline. At the same time,

Lufthansa's executives are busy with plans to take over troubled low-cost carrier Norwegian Airlines.

Lufthansa is pursuing a systematic course of expansion with the goal of establishing itself as the unassailable market leader in Europe. In the past year, the LH Group (Eurowings, Swiss and Austria Airlines) expanded its already dominant position. The number of passengers carried increased to 142.3 million—an increase of 10 percent compared to 2017.

This goal of establishing Lufthansa as the main player in the European aviation industry is actively supported by the main union for German airline workers, Verdi. The union works closely with Lufthansa CEO Carsten Spohr to implement rationalisation measures and social cuts. Verdi board member Christine Behle is deputy chairwoman of the Lufthansa Supervisory Board and is directly involved in the preparation of plans for the expansion of the airline at the expense of the wages and conditions of the workforce.

On Tuesday, Germania boss Karsten Balke said that the company was not only suffering due to the high price of jet fuel. He accused Verdi of having concentrated strikes during the past few months at regional airports, which resulted in an above-average number of flight cancellations and very high extra costs for Germania.

What is certain is that Verdi has done nothing to warn the employees of Germania against the threat of job losses. As in the case of the bankruptcy of Air Berlin, where Verdi and Lufthansa worked closely together, it is ultimately the workforce which will pay the costs of insolvency. Many airline workers switched to Germania after losing their jobs at Air Berlin, and have now been made redundant for a second time within the space of 15 months.



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