

Lufthansa Requiring Refunds For Unmet Upfront Discounts

By Amon Cohen

MAY 27, 2010 -- Lufthansa's controversial new contracts with corporate clients not only withhold rebates for missed targets, they also require clients to refund discounts paid upfront, a leading German travel management consultant told *EuroBTN* this week. As a result, companies that agree to the contracts are having to make accruals in case they have to pay the airline back, said Jörg Martin, owner of CTC Corporate Travel Consulting, based in North Rhine-Westphalia.

Last week, *EuroBTN* revealed some corporate clients are refusing to sign the contracts because they are unhappy that [Lufthansa is imposing penalties](#) while not offering last-seat availability for negotiated fares. Three weeks ago, *EuroBTN* revealed other travel managers are refusing to sign because the airline [insists they authorize the inclusion](#) of potentially sensitive transaction data on marketing information data tapes Lufthansa buys from global distribution systems.

Martin, who manages the travel programs of several German companies and negotiates on their behalf with suppliers, said his clients regard the new Lufthansa contract as unfair. "The contract includes a penalty clause in which the corporations have to accept they must pay back the upfront rate advantages if they fail to deliver the guaranteed number of tickets per route and booking class," he said. "Only tickets bought by negotiated fares are counted for the ticket target. Lufthansa market fare tickets on negotiated routes will not be counted. Every corporation that signs the Lufthansa contract with the penalty has to make accruals. The risk can be up to hundreds of thousands of euro if they have to reimburse the upfront reductions."

According to Martin, "It is nearly impossible to negotiate the clause out of the contract. Only large corporations are able to do that, but even some big multinationals have not been able to." Martin has seen resistance vary by region. He said travel managers in Frankfurt, where Lufthansa has high marketshare, are caving in more readily than those in Düsseldorf or Munich, where competition for the German flag carrier is greater.

Martin warned that the situation threatens the careers of travel managers. "If Lufthansa is asking for a payback, then the travel manager is in a bad position internally," he said. "They could lose their jobs." Martin also alleged that similar clauses are appearing in Star Alliance contracts in cases where Lufthansa is the lead partner.

EuroBTN offered Lufthansa an interview to give its response to Martin's comments. It declined, stating: "The topic in question refers to bilateral contracts and Lufthansa cannot comment on these or any related topics." However, three weeks ago, the airline said it did have a statement on the MIDT clauses in the contracts but had not been able to translate it into English. Last week, the airline said it was too busy preparing for its Airbus A380 inaugural to comment.