ALITALIA IN ROME GOVERNMENT TALKS ON TURNAROUND PLAN

News / Airlines



Alitalia and its shareholders presented their latest business plan to Italy's government on Monday, paving the way for crunch talks with unions over up to 2,000 job cuts that could decide the future of the struggling carrier.

The Italian centre-left government pledged support for efforts to turn around the airline but asked the carrier to finalise a plan before starting any talks over possible job cuts, playing down any immediate threat of layoffs.

"The government has asked Alitalia to present a detailed industrial plan in the next weeks, shared by shareholders, banks and creditor institutions," Rome's industry ministry said in a statement after hosting the meeting.

"Any discussion on employment levels will take place in a second stage, once the details of the industrial plan are defined along with a long-term project to relaunch the company," it said in a statement.

Italy's flag carrier approved on December 22 a short-term financing deal and a new strategy, including job cuts, that allowed it to start negotiations with stakeholders.

It was joined for Monday's talks by investors, including 49-percent shareholder Etihad, which was represented by CEO James Hogan, also vice-chairman of Alitalia.

Led by Hogan, state-owned Etihad bought a 49 per cent stake in Alitalia in 2014 as part of a 1.76 billion euro (Dh6.80 billion; $1.85 billion) rescue plan for the loss-making airline.

Abu Dhabi-based Etihad had pledged to return it to profit by 2017 by slashing costs, turning Rome

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into an intercontinental hub and adding more lucrative long-haul connections.

But two years later, Alitalia is losing at least half a million euros a day and may remain unprofitable for another two to three years, sources have said.

JOBS AT RISK

A person familiar with the plan said Alitalia wants to cut between 1,600 and 2,000 jobs and reduce costs, especially on loss-making domestic and regional activities.

Another person briefed on the plans was more cautious, pegging the number of job cuts as low as 600.

Any such cuts are expected to meet fierce opposition from Alitalia's powerful unions.

The two sides are heading for a potential showdown in detailed negotiations, but after years of turmoil the airline is prepared to insist it is running out of options, the person familiar with the plan said.

Alitalia aims to shed costs in short-haul operations by introducing a low-cost service based on roughly doubling the size of its fleet of Embraer regional feeder jets, he said.

It also plans to outsource some services such as IT.

"It is going to be a difficult month. If Alitalia is able to achieve what it needs to do, it will be able to go on and survive. If not, then there is no other solution than to close the airline," the person said.

Before privatisation in 2008, various governments paid four billion euros in cash to Alitalia, rarely requiring strong industrial strategies in return.

But controlling shareholder Etihad is pushing for sweeping changes, including proposals to cut staff and ground at least 20 planes and cut certain unprofitable routes.

Its most recent turnaround hit problems after low-cost airlines such as Ryanair expanded aggressively in Italy, use of high-speed trains has increased and after attacks across Europe dented demand for travel.

09 JANUARY 2017

SOURCE: REUTERS
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