ALITALIA’S BOARD APPROVES PROFITABILITY STRATEGY INCLUDING €1BN IN COST CUTS BY 2019

News / Airlines, Finance



Alitalia’s board has approved a turnaround plan that will include cost cuts of €1 billion (Dh3.94bn) and an increase in the number of transatlantic flights as the airline seeks to achieve profitability by the end of 2019.

The 2017-21 business strategy also envisages a 30 per cent rise in revenue to €3.7bn from €2.9bn by 2019 led by the effects of about €200 million of investment in new technology over the past two years.

"The aviation industry is ferociously competitive and never stands still," said Cramer Ball, Alitalia’s chief executive. "Only through radical change will Alitalia’s fortunes be turned around … We rebuilt our brand in the first phase and invested heavily in staff training and technology so we are now able to move ahead and implement wide-ranging changes."

Alitalia, 49 per cent owned by Abu Dhabi’s Etihad Airways, will soon present the plan to the Italian government. It will then begin discussions with the airline’s trade unions for the approval of a new

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collective works agreement and headcount-related measures.

"I am confident that the next phase of the industrial plan will represent the step forward needed, provided that all interested parties play their part," said Mr Ball.

The airline’s relationship with labour unions has been tense in recent weeks and a stand-off over renewing employee contracts and potential job losses led to a one-day strike last month that forced Alitalia to cancel hundreds of flights.

The troubled airline will reduce its fleet by 20 narrow-body aircraft and renegotiate agreements, with suppliers including catering, ground handling, aircraft leasing and with the airports it uses.

Alitalia will make better use of its remaining short- and medium-haul narrow-body fleet, increase the number of flights between Italy and the Americas and re-evaluate its transatlantic operations, trying to fly more often on its existing routes.

"If we can’t compete throughout Italy and Europe against low-cost carriers then we lose air travellers that connect on to intercontinental flights. Put simply, there is absolutely no alternative," said Mr Ball.

Budget airlines account for 47 per cent of the Italian market, Alitalia said.

Extra seats will be fitted to its existing fleet with buy-on-board and ancillary services together with "more attractive air fares" to be introduced, attempting to increase revenues while cutting costs.

"Our investment in technology will enable us to develop new sales channels and this will contribute to increasing our revenue," said Mr Ball.

"About 20 per cent of our customers already use online ways to book their flights and we aim to increase that figure to more than 50 per cent."

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