

# ALITALIA TO JOIN OTHER EUROPEAN FLAGSHIP CARRIERS IN BANKRUPTCY



The Italian flagship carrier Alitalia has entered bankruptcy for the third time. During its 70-year history the airline transported popes and politicians, but has also been in the center of various controversies. Now it seems that Italy's airlines, much dependent on government support, can no longer count on the support of the public.

The situation, however, will not affect travelers who have booked tickets for the upcoming summer season. **For now, business will carry on as usual, thanks to a loan of \$435 million from the Italian government.** It is supposed to give the flagship carrier some time to find a buyer.

But there is uncertainty over the future of the company. Already in 2008 Alitalia was on the brink of being sold to Air France-KLM, but the deal did not materialize. Six years later, Etihad Airways agreed to buy a 49% stake in the airline, however, all fell through due to EU restrictions. Moreover, the Italian government has no interest in nationalizing the airline. Currently the most probable scenario is merging with another European airline, with Lufthansa and Air France- KLM (again) being the most probable companies.

Why exactly is Alitalia in so much trouble? The flagship carrier, as many others, has suffered greatly due to the rise of budget airlines in recent years. Other than that Italy's down-falling economy has had its contribution, as well as numerous terror attacks in Europe. However, Alitalia's main problem was its inability to cut costs. The final straw came last week when the company's employees rejected a massive cost-cutting plan that would have required falls in workers' wages.

But Alitalia is not the first national carrier in such an unpleasant situation. Hungary's flagship carrier Malev Hungarian Airlines stopped flights at the beginning of February 2012 and was declared insolvent and ordered liquidation several days later. Czech Republic's Czech Airlines almost went the same route, had it not been for Korean Air. The South Korean airlines saved Czech Airline by buying a 44% stake in the business from the Czech government in 2013. The airlines now include Korean signs for travelers at Prague's airport, besides the Czech and English ones.

Going more to the south, in 2009 the Greek government sold its flagship carrier Olympic Airlines to Greek Marfin Investment Group. **The company was resold in 2012 to Greece's Aegean Airlines, where it is currently a subsidiary and regional airline.**

Spain has had its problems in the aviation industry as well. In 2011 Spain's flagship carrier Iberia was bought by the UK-based group International Airlines group. The company went through a complete overhaul. International Airlines Group made a similar acquisition in 2015, buying Ireland's Aer Lingus. Lufthansa has also made several similar acquisitions. In 2005, the German giant bought Swiss International Air lines and in 2009 they completed the deal to buy Austrian Airlines.

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