

Etihad not on the lookout for new equity stakes: CEO

No aircraft orders planned in near future; airline focuses on slowing growth



Image Credit: Virendra Saklani/Gulf News

Peter Baumgartner, chief executive officer of Etihad Airways during an interview with Gulf News at Dubai Airshow 2017.

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Dubai: Doing a U-turn on the investment strategy that was an inherent part of Etihad Airways' growth plan until very recently, the airline is now starting to look inward for growth, according to its top executive.

Etihad "will not" continue to invest in various airlines across the globe, Peter Baumgartner told *Gulf News* in an interview on Sunday. "No, we certainly are not on the lookout for [airline stakes] for the next investment opportunity," he said.

Etihad's former chief James Hogan had adopted a growth strategy that involved buying equity stakes in airlines across the globe.

"It was a challenging journey with our equity investment strategy," he said, explaining the cases for Alitalia and Airberlin.

"Alitalia was a slightly different case than Airberlin. With Alitalia, there was a business plan with the board and the shareholders, and even the government of Italy believed in, and they were willing to support. But staff voted against it so that was the kind of end of that.

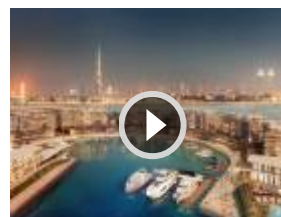
"And as for Airberlin, they didn't turn around their business at the rate and scale that we were expecting and demanding, and thus we had to rethink our approach."

At the same time, Etihad Airways, however, has no plans to get out of equity partnerships in Europe, according to Baumgartner. "At the moment there are no such plans. But that doesn't mean that it will influence our view on a wide equity strategy."

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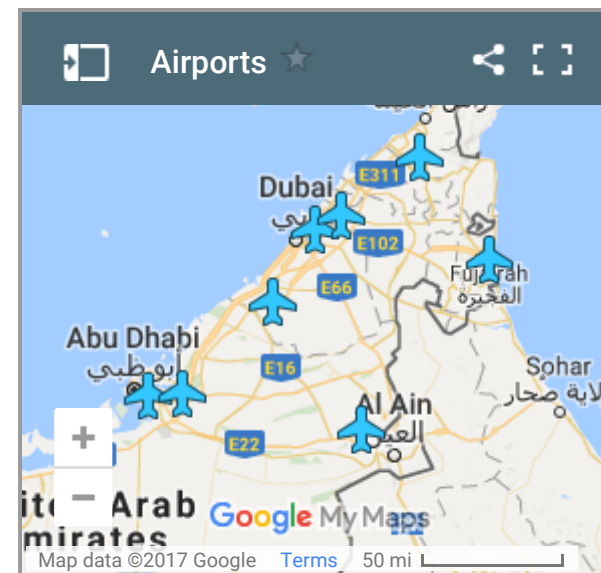
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US-based aviation analyst Ernest S. Arvai, told *Gulf News*: “I see Etihad as modifying its equity partnership strategy from investment in other airlines, rather than invest in failing airlines, which are difficult to turn around. The biggest challenge is to see a return some of the problem investments it has made. The prior administration underestimated the difficulty of turning around carriers in mature markets.”

Stake in Jet Airways

Citing an example of successful partnership, Baumgartner said Etihad’s stake in India’s Jet Airways was “hugely successful”. “It was the right thing at the right point in time for one of the emerging travel markets on this planet.”

Etihad Airways currently owns a 24 per cent stake in the Indian carrier, and has no plans to take it up. “At the moment, it is what it is,” he said.

Asked if the airline was now looking to grow organically, Baumgartner said: “It is more than ever our focus to make sure that we, first of all, optimise our network from point-to-point mark ... our direct connections.”

No new orders

Etihad is also not looking to order any new aircraft in the near future, nor has it ordered any in the recent past. “There is certainly no priority for any new aircraft orders or any such announcements. The

airline's current order book certainly serves our purpose well enough for the foreseeable years ahead," Baumgartner said.

With 119 aircraft in operation at the moment, Etihad has an additional 169 planes on order.

Slowing growth

"This year Etihad Airways has slowed down its growth. That was a direct response to a changing environment. We have since 2015 quite a marked overcapacity situation, ever increasing since then to this very moment with overcapacity on key overlapping competitive traffic flows," Baumgartner said, adding that the airline slowed down its growth last year as a response to that.

"We saw an almost flat growth in ASKs [available seat kilometres] this year, which was a direct response to that situation. Our yields in the past years — in this part of the world, especially, have come down very strongly. In the past three to four years, it was a 35 per cent yield drop for all airlines in this part of the world," he said.

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