

Air Italy Goes Into Liquidation As Perpetually Bankrupt Alitalia Keeps On Keeping On



Marisa Garcia Senior Contributor [Aerospace & Defense](#)

I offer an insider's view of the business of flight.

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- **The investors behind Air Italy, Qatar Airways and the Aga Khan, have announced the end of the airline, a two-year venture that was launched with much fanfare, colorful rebranding, and high hopes, but was unable to overcome the harsh realities of a complex market. In Italy, it seems, only Alitalia can afford to fly bankrupt.**



VARESE, ITALY - MAY 14: (C) Akbar Al Baker, CEO of Qatar airways, pose with hostess and steward ... [+] GETTY IMAGES

Air Italy launched in March 2018 with [Qatar Airways](#) holding a 49% stake and the Aga Khan's [Alisarda SpA](#) owning 51%. While Qatar Airways was willing to continue funding Air Italy, they were unable to obtain support from the Aga Khan.

“Qatar Airways has strongly believed in the company and in its potential, supporting management’s proposed business plan with a view to improving Air Italy's growth and job creation, with the addition of long-haul routes and numerous in-flight service improvements,” the airline said in a [statement](#). “Even with the changing competitive environment and the increasingly difficult market conditions severely impacting the air transport industry, Qatar Airways has continually reaffirmed its commitment, as a minority shareholder, to continue investing in the company.”

Following a shareholders' meeting this morning, the decision was made in favor of “liquidazione in bonis” of the company.

To avoid travel disruption, all Air Italy flights from February 11 to February 25 will be operated by other carriers as originally scheduled. Passengers who booked flights after

February 25 will be offered alternative flights or can request a full refund.

Open and Fair Skies, the lobbying group that represents U.S. major carriers, has strongly objected to Qatar Airways' investment in Air Italy and to the airline's transatlantic operations. In a letter sent to President Donald Trump in April of 2018, and signed by Doug Parker, CEO, American Airlines; Edward Bastian, CEO, Delta Air Lines; and Oscar Munoz, CEO, United Airlines, the CEOs stated:

“Qatar Airways is ignoring the 2018 agreement that your administration signed by using massive government subsidies to launch new routes to the United States through its stake in Air Italy. Air Italy was a struggling regional carrier until Qatar Airways injected tens of millions of dollars into the company to circumvent the agreement and expand its U.S. presence. In the last few days, Qatar Airways has used its Italian proxy to launch routes to Los Angeles and San Francisco, and added flights to Miami – a further effort to undermine U.S. airlines. Simply put, Qatar Airways represents a grave threat to American jobs and the health of the airline industry.”

However, as industry analyst Addison Schonland has previously pointed out, Air Italy posed **no real threat** to the U.S. majors, except perhaps in diminishing the value of their premium product.

Meanwhile, Alitalia, which also once also benefited from funding by one of the Middle East big three carriers with which the U.S. big three have an ongoing Open Skies dispute (Etihad Airways) burned through Etihad Group's capital, and failed to turn the organization around. It continues to cling to life with a bridge loan backed by the Italian government.

As reported by Reuters in December, **Alitalia was losing around \$2.2 million a day**. The government had said that it would not keep pouring public money into the enterprise. Industry Minister Stefano Patuanelli said the company could shut down as soon as mid-2020 without a buyer and an effective turn-around plan.

However, efforts to sell-off the flagship carrier haven't yielded results despite speculation from Ryanair, easyJet, Air France-KLM and others.

Delta Air Lines has expressed an interest in **investing approximately \$111.34 million**, but

no more, and that investment is contingent on the Italian government forming a working consortium.

Lufthansa's CEO Carsten Spohr spoke last month of what he considers a viable plan for Alitalia that might encourage the German airline group to acquire it.

"For Alitalia to have a long-term future, it is important that it has the right partner and the right restructuring. This is the logic that is illustrated when I spoke with the Italian 'players' in the last few weeks," [Spohr said](#).

But the restructuring would need to take place before Lufthansa Group would invest and is unlikely to appeal to Alitalia's powerful labor unions. It would involve a fleet reduction from 113 to 90 aircraft, and the selling of ground services and maintenance operations, reducing staff by nearly half to around 5,000-6,000 employees.

This is the crux of Alitalia's longevity despite the economic realities—it creates jobs for those who need them.

If history is any guide, evergreen but never profitable Alitalia may find another last-minute investor to keep it flying. Perhaps from Qatar?

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