Italy takes over Alitalia in response to virus

March 17 2020, by Dmitry Zaks

Italy's Alitalia will fly again

Italy's government vowed Tuesday to re-nationalise the bankrupt former flag carrier Alitalia to make sure crises like the coronavirus pandemic never strand its compatriots abroad.

The announcement fell on a national holiday that Prime Minister

Giuseppe Conte seized to rouse Italians' sense of patriotism during their gravest emergency since World War II.

COVID-19 has officially killed 2,503 people in Italy—32 percent of the world's reported total—and forced the nation of 60 million to enter its second week under a virtual lockdown that has imperilled the livelihoods of millions.

"Our country has faced thousands of difficulties, world wars, the Fascist regime," Conte told the nation.

"But the Italian people have always known how to get back up and start over with pride and determination," he said.

"Never like now has Italy needed to be united."

Emergency plan

Alitalia's takeover comes as part of a broader 25-billion-euro ($28-billion) coronavirus response plan that may be followed by a similar-sized emergency package next month.

The takeover will reportedly cost Italian taxpayers up to 600 million euros ($670 million).

The 74-year-old company filed for bankruptcy in 2017 and looked doomed in January when it failed to secure rescues from either the Italian state railway or Germany's Lufthansa.

"At a time like this, a flag carrier gives the government more leeway," Deputy Economy Minister Laura Castelli told Italian radio.

"We all saw the difficulties our compatriots faced in returning to Italy.

Our decision stems from this."

Transport Minister Paola De Micheli said a "national carrier was strategic for our country" at a time of crisis.

Alitalia faced the threat of closure even before COVID-19 grounded the overwhelming majority of most airlines' flights.

Market intelligence firm CAPA warned that "most airlines in the world will be bankrupt" by the end of May.

Alitalia's management asked its government administrators to allow it furlough 4,000 of its 11,000 employees until the situation normalises.

But how Conte's government intends to save Alitalia—a member of the SkyTeam alliance that has been bleeding money for many years—in the long term remains unclear.

Troubled history

The government decree provides for the creation of "a new company wholly controlled by the ministry of economy and finance, or controlled by a company with a majority public stake, including an indirect one".

Italy's AGI news agency said the government was also setting up an 600-million-euro fund to deal with the damage the pandemic was causing the aviation sector.

Alitalia began to flounder with the emergence of budget fliers such as EasyJet and Ryanair in the 1990s.

But analysts believe that it is also too small—and has too many staff for the number of flights it operates—to compete with full-cost rivals.

It flew only 22 million passengers and saw its market share in Italy slip to 14 percent in 2018.

Lufthansa and the Atlanta-based Delta Airlines each carried around 180 million passengers that year.

Alitalia was privatised by a group of Italian investors for one billion euros in 2008 but went into administration when its staff rejected a proposal to cut jobs in 2017.

It is currently 49-percent owned by Abu Dhabi-based Etihad Airways and 51-percent owned by the Italian management team.

Etihad made no immediate comment.

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