

## Etihad CEO looks to redefine airline's future

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*Karen Walker*



***Etihad CEO Peter Baumgartner. Etihad Airways***

Etihad Airways' executive team is close to completing its strategic review and setting a new five- and 10-year plan after being rocked financially by what its CEO calls "a perfect storm" of multiple circumstances.

The Abu Dhabi-based carrier Etihad Airways posted a net loss of \$1.87 billion for 2016, reversed from a net profit of \$103 million in 2015. Exceptional charges were major factors behind the deficit, including an \$808 million charge on assets and financial exposures to equity partners, mainly related to Alitalia and airberlin, which are now both in bankruptcy and in which Etihad owned stakes.

Etihad was also affected by a fall in oil prices, which led to an accelerated overcapacity situation in the Gulf market. On top of that, terrorist events in Europe, the Trump travel bans and the US's five-month ban on laptops and other electronic devices in the cabins of aircraft all impacted demand for travel on the Gulf airlines.

Speaking to ATW during a visit to Washington DC, Etihad CEO Peter Baumgartner acknowledged that it was a "quite intense" time and that the airline was "redefining its future." The strategic review, he said, will be completed in a few weeks.

"It's not just what we are doing with our partner airline strategy. Airlines as a whole are at a point where we need to assess where we are going and the trends and their effects on our

industry. Transformation forces do not stop at the borders of the Middle East. There are also opportunities and you can't afford to miss them," Baumgartner said.

"Customer expectations and behaviors have fundamentally changed," he added, giving the Smartphone as an example.

"The LCCs have shown how it works when it comes to technology. The definition of a great airline has changed. It's now all about customization and personalization. The days are over when it was about the flattest bed. It's not just what we are doing with our partner strategy. Airlines as a whole are at a point where we need to assess where we are going and the trends and effects on our industry. Transformation forces do not stop at the borders of the Middle East. There are opportunities and you can miss them," he said.

Airlines must enable passengers to purchase the product they need at the price they are willing to pay. Europe's LCCs are successful, even with business traveler, because they deliver a product that's efficient, seamless, on time and affordable. "So that's the definition of the best airline in the world and that's changing everything," he said.

Digital technology is enabling airlines to segment their products and allow them to select and pay for what they want. "That's the way to go," Baumgartner said. "It means customer expectations are met."

One special concern is the US market, which Baumgartner said was "very important" but Etihad is having to rethink its footprint there. American Airlines took the decision earlier this year to end its codeshares with Etihad and Qatar Airways from March 2018 because of the Open Skies dispute and US accusations that the Gulf carriers are government subsidized. That dispute is believed to be heading for another wave of political campaigning.

"The US is such an important market for us and what's happening is really quite sad. It destroys a win, win for us and our US partners," he said, noting the codeshare brought "tremendous incremental value" to both airlines. But he added that Etihad operates on a commercial mandate and its network must be based on a healthy foundation.

He said there was a "sense of urgency to bring the Open Skies debate to a conclusion" and he was "hopeful we can go back and look at this reasonably."