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## SWISS heads for the skies

SWISS has put the turbulence behind it and is now flying packed planes extremely profitably. What, if anything, is still Swiss about the Lufthansa subsidiary today? We spoke to Marcel H. Biedermann, SWISS Managing Director and Head Intercontinental Markets. Interview by Heinz Eckert

*SWISS REVIEW: Mr Biedermann, why is SWISS suddenly doing so well again? It wasn't all that long ago that we heard nothing but bad news about the airline. What exactly happened?*

MARCEL H. BIEDERMANN: SWISS began operating in 2002 at a time when the market had completely collapsed. What's more, the former structure was too expensive and our fleet uneconomical and far too large. We then scaled everything back: the fleet, the workforce and the network. The turnaround came about 18 months ago. Demand grew, and we were able to take unprofitable 50-seater aircraft out of service. Today, we only use two types of planes on our domestic European routes. We were able to find a good balance between long-haul and inner-European flights and generate lots of extra traffic through direct sales. Finally, we now have an ideal mixture of cheap and standard tickets. That is very important. We are now leading in terms of capacity management.

*What do you mean by "capacity management"?*

Capacity management refers to the way in which flights are filled. It's not simply about operating aircraft with as many cheap flights as possible. Capacity management can make you a great deal of money, but it can also lose you a great deal. The same applies to the way you use your aircraft; so-called "fleet management". After all, if an aeroplane is not in the air, it's costing you money. SWISS is among Europe's leaders in capacity management and fleet management. You must bear in mind that nowadays every single seat in an aeroplane can be booked at any time, anywhere in the world. For this reason, you have to know exactly how many tickets to sell whom, when and at what price. If you can master this problem more-or-less, you've already achieved a great deal.

*What precisely has joining forces with Lufthansa brought SWISS?*

Lufthansa brought us stability as well as the advantages of membership of the Star Alliance and savings through the resulting synergy effects with Lufthansa. The takeover made us credible again. Even the banks suddenly started believing that we could survive. After all, many people thought we had been doing everything wrong before. We were able to start working with cheap loans, and profit from the joint purchases with Lufthansa. Suddenly we were trustworthy again. Even customers who left us have come back.

*What does the Star Alliance bring SWISS?*

We have become a member of a global network without taking any commercial risks. The frequent flyer programmes are networked, we benefit from code-sharing and from common booking systems. What's more, the Star Alliance offers us the greatest advantages of any alliance.

*SWISS is still referred to as "Swissair" abroad. Does that bother you?*

The further away people are from Switzerland, the less they know what happened to Swissair. For them, aircraft with a Swiss cross on the tail fin are Swissair planes. In fact, little has changed for most foreign passengers. And in the end, major airlines nearly always represent a country. So it's hardly surprising that the name "Swissair" is still widely used in some parts of the world.

*What is still Swiss about SWISS, since it is now actually a German airline?*

Ninety percent of the people working for us are Swiss. The aircraft are registered in Switzerland, our home base is in Switzerland, we are perceived to be a Swiss firm, and our customers expect the same high quality that they would only expect

from a Swiss product: punctuality, service and reliability.

*Will low-cost airlines soon also be competing with you on long-haul flights?*

We'll certainly have to expect competition from low-cost airlines on some routes sooner or later. However, the business model on which low-cost airlines are based is less suited to long-distance travel. Long-haul flights place very different demands on logistics and staff. Connecting flights have to be organised, check-in is more complicated, it's not that easy. But in the end, it's the market that will decide.

*What plans does SWISS now have to expand?*

First of all, we want to serve our destinations on a daily basis, where possible. That is very important for the business sector. Business travellers don't understand why, for instance, they can't take a particular SWISS flight on a Wednesday. This will primarily affect Sao Paolo, Los Angeles and Hong Kong, and in the next phase Johannesburg. We are also assessing new destinations in the major growth markets. For example, we are looking into destinations in India and China, and have a few more ideas for Africa. But we can't provide any more specific details at the present time.

*Is Africa good for business?*

Yes, actually it is. It's a pity that our African network was cut back so strongly following the grounding of Swissair. Now it's difficult to regain the market share that we lost to other airlines.

*What are the conditions for operating a new long-haul route?*

Operating a long-haul route on a daily basis means carrying 500 to 600 passengers a day, not all of them from the Swiss market. We must therefore attract customers in other markets, and that's not easy, and particularly costly, given the competition.

*Why are SWISS tickets sometimes more expensive in Switzerland than those on sale abroad?*

If we want to attract foreign customers, we have to adapt our prices to those of our competitors, otherwise people won't fly SWISS. The reason why we are sometimes more expensive than other airlines is that

we offer a quality product. And that includes Zurich Airport.

*Economy passengers sometimes feel like a necessary evil. Are you only interested in business and first-class passengers?*

Not at all. After all, economy-class passengers make up nearly 80 percent of our traffic. In any case, I don't think that economy-class passengers get a raw deal.

*You don't even get salted almonds with your drink anymore ...*

We're re-introducing those. You have to bear in mind that if you have 10.5 million passengers, cutting out salted almonds alone saves you about CHF 6 million a year. That was a lot of money for us at the beginning, but SWISS is in much better shape now and we can invest in our product again.

*I understand that many customers would like a class between economy and business,*

*with more comfortable seats, though without the extra expense.*

We are constantly reviewing our cabin layout. However, not all our aircraft can easily be reconfigured inside. Because business class is becoming more like first class all the time, I could well imagine that there will one day be a class between business and economy.

*What criteria make business or first-class passengers choose one airline over another for long-haul flights?*

There is statistical data on this. Previous experience plays a major part. Check-in is also important, as is the airline's image.

*Will SWISS be ordering any of the new Airbus A380s?*

No. This huge aeroplane for 850 passengers is simply too large for our needs. We want to be strong because of the variety of our services, not the size of our planes. For

instance, you can already fly from Switzerland to New York several times a day and at different times. That is interesting for our customers, who want a wide range of flights to choose from.

*Swissair had an enormous emotional value for the Swiss. Does SWISS have this too?*

Every national carrier has an emotional value for the relevant population, be it British, French or German. I think that the grounding of the "flying bank", as Swissair was dubbed, was a somewhat sobering experience for the Swiss. Nevertheless, I am convinced that SWISS is regaining the emotional value that it deserves from the Swiss people. At any rate, we have become a much sought-after employer again. That was very different two years ago. The passengers are coming back too, and realising that we are a good airline with attractive offers at favourable prices.

## A TASTE OF SWITZERLAND

■ The gourmet concept Taste of Switzerland gives first- and business-class passengers flying on SWISS an in-flight introduction to the haute cuisine that awaits them on their arrival in Switzerland. All year round since 2002, SWISS has been offering its passengers specialities from various regions prepared by Switzerland's best chefs and accompanied by exquisite Swiss wines.

Manfred Roth from the Hotel Victoria Jungfrau in Interlaken presented his culinary skills in spring this year, and Felix Eppisser from the Hotel & Restaurant Rigiblick in Zurich will be treating passengers to his delicacies all summer. The concept has been developed specifically for in-flight meals in close collaboration with Gate Gourmet. And not only the passengers have been impressed by the service. Taste of Switzerland has been presented with the Mercury Award.

## SWISS PROFITS SOAR

■ Swiss International Air Lines generated earnings before interest and tax (EBIT) of CHF 231 million in 2006 following losses of CHF 14 million the previous year. The consolidated net profit for 2006 was CHF 263 million, compared to the net loss of CHF 178 million a year earlier.

In the entire 2006 business year, SWISS's total income from operating activities rose by 11.3 percent to CHF 4153 million (2005:



CHF 373m). "SWISS achieved its turnaround and began to climb in 2006," CEO Christoph Franz reported with evident satisfaction at a special news conference. He said costs had been reduced further, but more still needed to be done. Cost- and revenue-related synergy effects from the integration of SWISS into Germany's Lufthansa made up half of the operating result, and SWISS was being given additional lift

by the currently positive economic environment, he added.

The SWISS fleet of 73 aircraft serves a total of 70 destinations worldwide from Zurich, Basle and Geneva. It currently achieves average capacity utilisation rates of 79.8 percent across its entire network.

## SWISS AND ZURICH AIRPORT HONOURED

■ SWISS was named "Best Airline for Europe" at this year's coveted Business Traveller Awards. The overall top spot was the result of the airline's excellent rankings in a number of areas. The readers of Business Traveller magazine placed the national carrier first in the "Cabin Crew", "Ground Services", "Cabin Comfort" and "In-flight Food & Drink" categories.

SWISS also finished third overall in the "Best Airline to the Middle East and Africa" category.

Zurich Airport, where SWISS is based, was named "Best Major European Airport and Hub".