How Swissair Landed in Trouble

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Among the world’s airlines, Swissair has long been one of the most venerable. Founded in 1931, the Swiss national carrier was known for safety and service that enabled it to fly long distances among nations. But early in October, Swissair Group, the carrier’s holding company, tumbled into bankruptcy, to be saved perhaps only temporarily by a government and corporate finance package announced on October 22.

In earlier years, Swissair had seen the same problems that hit other airlines worldwide after the September 11 terrorist attacks. But industry experts say the company’s woes run deeper. Invoking management mistakes that could affect any corporation as well as troubles rooted in the economics of a cultural Europe. Traditionally, European airlines tended to compete based on service equality and not so much on fares,” said Dimitri Ermacora, a professor of marketing and e-commerce in International Institute for Management Development (IMD), a business school in Lausanne, Switzerland. In an interview during a business trip on Friday, Ermacora said Swissair’s biggest problem began in the mid-1980s with a series of partnerships with other airlines. In the early 1990s, Swissair entered into a series of line operations, merging into a major competitor, United. In a move, many European airlines joined together in partnerships such as Oneworld, Star Alliance, and SkyTeam, a more recent grouping of airlines. By early 2001, Swissair had operated 15 million passengers in 27 countries.

The airline had built itself on the reputation of a high-quality service provider, especially on flights to and from Switzerland. But last week, Swissair was facing the same problems that hit other airlines worldwide after the September 11 terrorist attacks. The airline had to be saved by a government and corporate package announced on October 22.

Swissair, like many airlines, was hit hard in 2000 by high fuel prices and the slow economy, which cut deeply into its business model. Early this year, the airline and CEO Philipp Schmidli, who had engineered the expansion, resigned. He was replaced by Peter Corthier, the former CEO of Berliner. After a boardroom shake-up, Swissair announced that it would be merged with United in a deal to save the airline from bankruptcy.

At the time, Swissair had negotiated a contract with Boeing, the world’s largest aircraft manufacturer, to buy 100 new planes. The deal would have cost Swissair $3 billion and was expected to boost the airline’s revenues by 50%.

In addition, many of Swissair’s European competitors received aid from their governments to help them out. For example, Air France’s government employees were permitted to fly on Air France while commercial airlines were not, and Swissair had to compete with these much cheaper flights.

In protest, the Swissair employees went on strike, demanding better pay and benefits. The strike lasted for several days and caused many flights to be cancelled. The airline lost millions of dollars in revenue and was forced to lay off thousands of employees.

The government stepped in and offered a rescue package to save Swissair. The package included $3 billion in loans and an agreement to merge with United Airlines. The deal was approved by the Swiss government and the airline was able to continue operations.

In the meantime, the airline continued to struggle. It was facing a loss of $2 billion in 2001 and had to cut costs and reduce its workforce. The airline also had to deal with strikes by its employees, who were demanding better pay and benefits.

Despite the challenges, Swissair was making progress in reducing its costs and improving its service. The airline was also working on new routes and services to attract more passengers. However, the airline was still struggling to turn a profit.

Swissair’s problems were not unique to the airline industry. Many other airlines around the world were facing similar challenges. The airline industry was undergoing a period of consolidation, with many airlines merging or forming partnerships to reduce costs and improve efficiency. The challenges faced by Swissair were a reflection of the larger problems facing the industry as a whole.

Swissair’s troubles were a reminder of the challenges facing the airline industry. The industry was facing a number of challenges, including high fuel costs, economic downturns, and increasing competition. Despite these challenges, Swissair was making progress in reducing its costs and improving its service. The airline was also working on new routes and services to attract more passengers. However, the airline was still struggling to turn a profit.

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