

Icelandair takes action to strengthen the company's performance in the face of fuel price hikes and economic uncertainty

- **Number of flights cut by 14% next winter**
- **Staff cut by 190, from 1230 to 1040**
- **Organisational changes and management cuts**
- **Fuel efficiency measures**

Icelandair will today present its proposed measures to respond to the changed operating environment created by rising fuel prices and global economic uncertainty. The measures include cutbacks in the company's winter schedule, staff reductions, organisational changes, management streamlining and fuel saving measures.

Icelandair CEO Birgir Holm Gudnason says that the uncertain world economy and recent soaring fuel prices will require changes in Icelandair's operating strategy. "These difficult external conditions are affecting Icelandair's operations, so we are taking immediate action to strengthen the company and place its business operations on a sound footing. We are working on the assumption that demand will fall as the year wears on, and so we are planning on a reduction in the number of Icelandair flights next winter. The cutback in flights will unavoidably call for staff reductions. We will do everything possible to minimise these cutbacks and make every effort to defend the company's income generation in order to secure its future growth," says Gudnason.

Trimmed schedule

Last May, Icelandair announced changes in its schedule for next winter involving, among other things, a longer winter break in its Reykjavik-Minneapolis flights and plans for year-round flights from Reykjavik to Toronto and Berlin have been put on hold. Flights from Iceland to Toronto were launched last year and will continue through the spring of 2009 following the winter break. The Minneapolis flights were suspended last year, and this break will be longer in the winter of 2008 – 2009, lasting from the end of October until March. Last winter there were no scheduled flights from Iceland to Berlin, and plans for year-round flights to that destination have been shelved for the time being. Further changes have been made in the company's winter schedule, with a reduction in the number of flights on the Paris route and an increase on the New York route. In addition, individual flights will be dropped on several routes. These changes correspond to a cutback of 14% between winter schedules.

Staff cuts

These changes will clearly reduce the company's staff needs, and the prognosis is that the number of staff will be reduced by about 190, from approximately 1230 last year to 1040 next winter. Since some of the staff work part-time, this means that the number of employees will be reduced by about 240 workers. Just over 200 of these employees will receive their notices before the end of June, 64 pilots and 138 flight attendants, as well as technical workers, flight control and sales personnel; although redundancies are inevitable, the cutbacks will be met partially by leaving vacancies unfilled. In all, the number of staff at Icelandair will be reduced by about 240 employees this autumn, in addition to the regular seasonal changes. The redundancies will comply with statutory law on collective redundancies and the company will consult with the trade unions involved. Advice and assistance will be offered to those who lose their jobs.

Comment [JS1]: Vek athygli á að 64 + 138 eru fleiri en 200, ekki "tæplega" 200.

“It is difficult to see good colleagues, friends and outstanding employees leave us. Icelandair is engaged in harsh competition and has based its success on the expertise and solidarity of its staff. The result is that we are in the front rank of international airlines and we enjoy a strong position here in Iceland. In times of adversity this will be tested as never before. I am confident that the knowledge and experience of our staff and the team spirit that has always characterised Icelandair will prove its greatest strength at this time. I wish the good people who will now be leaving us all the best,” says Gudnason.

Organisational changes and management cuts

Concurrently with the trimmed capacity and staff, Icelandair has made organisational changes that are designed to streamline work processes and reduce costs. Departments have been discontinued or merged with other departments in the company’s headquarters in Iceland and offices abroad. Middle management has been trimmed and, to give an example, the number of directors is down from fifteen to seven. This has been achieved both through redundancies and by leaving vacancies unfilled. At the same time, measures are being taken to reduce other operating costs.

Fuel efficiency measures

Various measures have been launched to cut fuel costs in order to soften the impact of rising fuel prices. Efforts are being made to lighten aircraft to the extent possible through precision loading, and savings are also achieved by reducing airspeed and altering landing procedures.

“On the whole, we are convinced that these measures will strengthen Icelandair for the future,” says Gudnason. “We have shown before that by reacting swiftly to external setbacks we strengthen our operations for the longer term. Flexibility is one of Icelandair’s key strengths and we will continue to develop and improve the company so that it can continue to offer high-quality and high-value services in flights between Iceland and other countries,” says Gudnason.

Different positions of companies within Icelandair Group

Icelandair is one of twelve subsidiaries forming Icelandair Group, and all the companies are responding to changes in the airline and tourist industries, each in its own way. “The Icelandair Group companies are reacting to the changes in their environment in different ways. Other airlines within the Group, such as the Icelandic domestic airline, Flugfélag Íslands, Bluebird Cargo, Latcharter in Latvia and Travel Service in the Czech Republic are different, and some of them are not as sensitive to fuel price trends as Icelandair. But other Icelandair Group companies, such as the ground service company IGS at Keflavik Airport, will feel the effect of these changes, and the number of staff in that company will be reduced by about 75 positions in excess of normal seasonal fluctuations. All the companies in Icelandair Group, with a total of 3500 employees across the world, will focus on efficiency measures and flexibility in the current circumstances,” says Icelandair Group CEO Björgólfur Jóhannsson.