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Aerolineas Argentinas Sold

by LADB Staff

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The Spanish state holding company Sociedad Estatal de Participaciones Industriales (SEPI) announced on Oct. 2 that it had sold Aerolineas Argentinas to Air Comet. The airline, which was privatized 11 years ago, has been immersed in a severe economic and labor crisis. The purchasing group is linked to Spanish tour operator Viajes Marsans, which owns charter airline Airplus Argentina and has ties with Scandinavian Airline Systems through its joint ownership of Spanair.

Other interested bidders included an Argentine group headed by Aerolineas Argentina's former chief executive Juan Carlos Pellegrini; ClickNest, backed by Argentine industrial group Grupo Pescarmona and the Asset Management Group; and an unnamed US investment fund. The sale, announced in Madrid by SEPI president Ignacio Ruiz Jarabo, includes the regional carrier Austral. Aerolineas Argentinas has a fleet of 42 planes and Austral another 11. The new owners promised not to lay off any workers for the next two years without the consent of the union, to pay salaries promptly, including back wages owed workers since August, to bring the airline back to where it was before the crisis, to resume the dropped routes and open new ones, and to upgrade the fleet of planes.

Currently, Aerolineas Argentinas is operating only 30% of its previous domestic flights and 10% of previous international flights. Documents relating to the sale indicate that Aerolineas Argentinas employs 5,119 people and Austral 1,023. Gonzalo Pascual, head of Marsans, said Antonio Mata, president of Air Comet, would head Aerolineas Argentinas. The Marsans group will control approximately 92% of the company, with 5.4% still held by the Argentine government and 2.6% by the employees. The subsidiary Astral will be 90% controlled by Marsans and 10% by employees.

Airline becomes symbol of wider problems

Earlier this year, the Spanish government said it had invested over US\$2 billion in the airline since 1999 and would not spend another penny. The company was privatized in 1990, and sold to Spanish airline Iberia in the early 1990s. It passed to SEPI in February 2000. The airline was crippled by mismanagement and increasing financial problems, and has a debt of nearly US\$1 billion. Cost-cutting measures, including layoffs, were rejected by employee unions (see NotiSur, 2001-06-22). The troubles at Aerolineas Argentinas became a symbol of wider economic problems in Argentina, setting off protests and a nine-day strike in April, which airline officials said cost the airline US\$3 million a day. The public's anger became directed at Spain and protesters called for Argentines to boycott Spanish products.

In June, the airline suspended flights to New York, Miami, Los Angeles, Sao Paulo and Rio de Janeiro, Brazil, and Auckland and Sydney, Australia, leaving only flights to Rome, Madrid, Caracas, Lima, Santiago de Chile, Santa Cruz de la Sierra, Bolivia, and Montevideo, Uruguay. Executives said

they were suspending the flights because they lacked enough money to cover the cost of fuel and maintenance.

The airline suspended loan payments

June 20 and has been up for sale since. SEPI blamed the crisis on the refusal by the union Asociacion de Personal Tecnico Aeronautico (APTA) to accept its proposed cost-cutting measures. Unions respond to sale Some unions that have ties to the airlines have reacted negatively, promising to continue the struggle they waged with Aerolineas Argentinas with the new company. The unions' main complaint regarding the sale was that they would have preferred to see the company in Argentine hands.

Other unions said that, for the time being, they would not put obstacles in the way of the new owners. "First, we want to see their new plan," said Jorge Doyle, head of the pilots union. Ariel Basteiro, with the union that includes ground crews, said most unions would drop their actions against the airline when their members receive their back pay.

An analysis of the sale in the Argentine newspaper Expansion said one concern about the viability of the new operation is that its success is based on the support of other companies in the group. They are all vulnerable, however, in the current economic crisis, which is hitting companies tied to travel and tourism especially hard. That, coupled with the anger of the Argentine workers who resent the airline remaining in foreign hands, gives analysts pause.

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