Interview: André Dosé, CEO of Swiss International Airlines

John Dunn

**INTRODUCTION**

André Dosé may very well be the unknown dark horse in the airline industry, but what he lacks in international recognition, he makes up in drive and determination. Appointed CEO of Crossair in late 2000, André took over the top job at Crossair so that Crossair’s previous CEO and Founder Moritz Suter could leave the company to become president of Swissair. Suter left his job as Swissair CEO a few weeks into the post convinced that he was unable to fulfill his mission, followed rapidly thereafter by a mass resignation of most of the Swissair board. Mario Corti, previously CFO of Nestlé was given the top job at Swissair, and immediately tapped André Dosé into Swissair’s management committee. The next year was critical for Swissair, and Dosé, sitting as one of the top management officers for Swissair as well as CEO of Crossair, was well placed to experience firsthand the events leading up to Swissair’s demise.
Beginning his career in the pilot’s seat, not of an airline but in an airplane, Dosé has done a variety of things in his career, ranging from playing professional soccer (goal keeper for Geneva’s famous soccer team Servette) to flying corporate jets. Joining Crossair in the 1980s as a pilot, he made his way through a variety of pilot and administrative jobs, including being responsible for the pilots’ union, before being brought into Crossair’s top management in the late 1980s.

Upon the bankruptcy of Swissair, Dosé became the driving force in creating the Phoenix Plan, calling for the acquisition of about 65 per cent of Swissair fleets and routes into Crossair, raising 2.7 billion Swiss francs of new debt and equity, and branding and launching the new airline under the Swiss International Airline name. Rising out of the ashes of the bankrupt Swissair and the successful regional airline Crossair, the recent launch of Swiss International Airlines represents an intriguing experiment in creating a major European airline following the series of external events that shook, displaced, and finally destroyed one of Europe’s oldest and best known airlines.

Swiss Airlines has recently unveiled a business plan/rebranding strategy, vowing that it would become the best airline in the world. The expectation is that by the end of this year Swiss would serve 15 million passengers and would rank number four among European airlines. The company is forecasting a breakeven in 2004 on revenues of 4 billion Swiss francs with an expected loss of circa 1 billion in 2002. The latest press release of the new company announces a partnership with American Airlines. Dosé, as CEO of Swiss International Airlines and the main driving force behind the new airline, met with Thunderbird Professor John Dunn a month into the official launch to discuss the airline, its strategy, its business plan, and its first months of operation.

INTERVIEW

Dr. John Dunn (JD): André, thank you for meeting us again today and sharing your thoughts with our readers. It’s now almost a month into the launch of Swiss International Airlines, an airline that many observers believed would not get off the ground. With the official launch last month but with a solid quarter’s operation since Crossair officially took over the Swissair assets, how has business been so far?

André Dosé: Business so far is actually very good. We had operationally a very good start. The most important statement about business is the fact that the business model works. As you know, we made lots of changes to the old Swissair and Crossair business model when we created Swiss International Airlines. We refocused
our efforts only on our core airline business, we cut capacity about
30 percent to give us average smaller aircraft in the Zurich hub in
addition to a reduction of the long haul network, and we have
found that this new focused concept overall works quite well.

JD: Isn’t this the essence of the Phoenix plan by which Crossair
acquired Swissair assets, taking 26 long-haul flights and 26 medi-
um-haul flights out of Swissair to tie them into Crossair’s existing
regional routes? Immediately following the Swissair bankruptcy,
there was a lot of criticism in the local press about trying to res-
urrect the company, with many observers challenging that a Swiss
airline would never fly again. What were some of the specifics
changes that were instituted?

André Dosé: All of Switzerland told us this 26/26 plan would
not work. Basically we took 26 long haul aircraft, 13 MD 11s, 13
twin engine A330s, and 26 European airbuses, together with our
own (Crossair) 78 regional aircraft. Basically we cut out all the
destinations that were solely for feeder traffic and could not be
stand-alone profitable with local traffic, which reduced feeder
traffic from a previous Swissair 65 to 70 per cent to currently
about 45 per cent. Routes that were not sustainable on local traf-
fic were kicked out. This restructuring concept is working well.
We were responsible for the transition period (September till
March 2002) and running the Swissair network but we did not
get the revenues, they went to the government until the official
launch of Swiss end of March. Incidentally, the government
bridge financing of one billion Swiss francs to keep Swissair flying
during the transition period was not all used, initial figures show
that we undershot this amount by about 250 million Swiss francs.

JD: This all sounds positive. How is this impacting your current
seat load factors?

André Dosé: The load factors we are doing now over the past
weeks are quite stable and encouraging, about 60 percent, but
our Phoenix business plan entailed load factors of a minimum of
45 percent rising to 50 percent by the end of the year. Currently
on our long-haul flights we are at approximately 82 percent long
haul, against our business plan also in the fifties. Long haul you
have to consider that when we took over the flights, load factors
were 18 to 20 percent, as we were basically flying empty to Tokyo
and to the States. Of course, capacity cuts helped here, as we cut
transatlantic capacity about 25 percent.
Yet those are the seat load factors, but even in this current price
competitive market we are doing much better than what we are
expected on average yields. The net yields and results of the first
quarter are about 50 percent better than what we had planned in
the business plan. Costwise, we have our costs under control, or
more importantly costs are according to our business plan, and we
have been successful in building up revenue to what is now a fairly
stable level. Hence the message is that we are where we should
be, even better along than envisioned in our business plan. But you
have to understand that this was not done easily. During the initial
transitional phase we were flying with 18 to 20 percent seat load
capacity, and the only way to survive was to do pricing actions to get the volumes back. A fancy ad campaign is not enough to get volume back under industry conditions last year, and we were down to a virtually collapsed system when we took over.

**JD:** Of course macroeconomic conditions must have helped you, as the industry itself if going through a recovery, both in Europe, but also in the United States. Almost all of Wall Street is more positive now about airline prospects than they were late last year, and if you believe we are in a macroeconomic recovery, enough capacity has been taken out of the industry to lead a real recovery I would assume?

**André Dosé:** Interestingly, we were just looking at some of the industry recovery figures yesterday: What we found is that after the 9/11 crash, traffic was interrupted much more severely than in the previous (Gulf War) industry crisis. After 9/11, U.S. traffic fell by 45 percent and European traffic fell approximately 30 percent, but currently (7 months later) traffic has picked up significantly quicker than was the case after the Gulf War. Currently in the industry we are only about 10 percent behind in volume pre-September 2001. Of course, in pricing we are still a bit behind. The impact of 9/11 on price was more severe than price declines after the Gulf War, particularly in the States. I don’t expect prices in the States to come back quickly to the levels of pre September 2001. Basically previous to 9/11 there was already so much over capacity already in the industry, and after 9/11 most industry players went to a pure cash management mentality, lowering prices at all costs to attract any passengers. They did pure nonsense with prices. Basically you could fly anywhere in the States for a hundred dollars.

**JD:** But when a company is bleeding cash every day any revenue is better than none. What were the FY 2001 industry losses for U.S. airline carriers? I believe some $7 billion not counting the $5 billion Bush campaign. So Europe got off more lightly than U.S. carriers in general?

**André Dosé:** Yes, but don’t forget that in the United States that was all direct aid. In Europe we have also had increased security costs, ground handling, safety measures, but here the airlines end up paying for this increased level of service, but in the U.S. this is direct aid. Speaking of U.S. business, our transatlantic flights are doing great, which is essential in our business, and we just signed a code sharing agreement with American Airlines which the Department of Transportation approved yesterday.

**JD:** This is excellent news for your tie up with American Airlines. In addition to the code sharing, how is this going to impact your business?

**André Dosé:** Code sharing is of course the first step. We are now asking for full anti-trust immunity through which we can then have common pricing. The current air travel marketplace is all about dominance and market presence. The mutual recognition
of the frequent flyer program is a big decision factor for passengers when they book their tickets. And of course beyond that is the American Airlines traffic that we feed in from the U.S. to Zurich, as well as the traffic that American itself brings to Zurich. We did also a mutual code sharing agreement for traffic especially for Africa and the Middle East, as there is a lot of transit traffic to these regions from the U.S. Those were traffic flows that previously went mainly over Heathrow, so we are taking market share this way.

JD: Hence cargo operations are working well now?
André Dosé: Well we have over 80 percent load factors volume as well as weight, and there I am quite happy with things in cargo.

JD: Well, business sounds like it is off to quite a good start, but six months ago when you were negotiating the Phoenix Plan conditions were a whole lot more uncertain in the industry and there were lots of critics who believed that Swiss would never fly. This whole transitional and startup phase must have been filled with challenges and surprises. What were some of the major ones?

André Dosé: Well during this buildup phase we actually had to build a new airline, so there were plenty of surprises and there were moments that we did not know what to do the next day. The deal with American Airlines we signed the day before our annual results press conference. We obtained some of the most important traffic rights actually five days before the start of the summer schedule, particularly for Russia and India, we had setbacks with traffic rights in Europe. We had constant problems, it took a lot of nerve to actually just believe in our plans. I had days when my division leaders would come up and say we just do not know what else to do and my own role was sort of the steam engine to make people believe that the goal could actually be achieved. At some point it felt like all of Switzerland, the press, and all the self-named aviation experts said our plan was impossible to do, but people started to believe it, so it is amazing what you can do if you put your mind to it.

Surprises, business surprises . . . I would hate to use the word “surprises,” as we did not really have any specific business surprises, as we did a very careful, conservative business plan, and in essence, results have been better than expected. My own view was that the impact of September 11th would not be too disastrous, at least not lead to a total breakdown of traffic, but I was always of the opinion that if there were no subsequent problems in our industry such as taxes, or war risk, that the industry would pick up relatively quickly again.

JD: Well, indications are that it has picked up somewhat on a positive note. Was there any good to come out of last year’s downturn for you?

André Dosé: Well in the wake of 9/11 and all the associated industry problems shortly thereafter we have had sort of an accelerated consolidation in Europe. For example, Sabena is now out of Africa, Air Afrique has collapsed, and actually Sabena is now
pure local traffic out of Brussels and we have been able to pick up a lot of their previous traffic. That was one of the mistakes that Swissair made, as Sabena (previously under effective majority ownership and control of Swissair) was actually more of a competitor than a partner. So there have been some positive effects.

JD: O.K., consolidation has been helpful, is this trend going to continue? It seems to be fostered by the current interest in industry deregulation in Europe. How will a further consolidation and deregulation in the European marketplace impact you?

André Dosé: Well actually, consolidation in Europe has not gone far enough. And I have doubts that it will go as far as deregulation has gone in the States. I am absolutely not a believer that in Europe we have only three or four intercontinental airlines. I don’t believe that will happen. We will still have in Europe an Iberia, a Lufthansa, a British Air, a Swiss, an Austrian, an SAS, an Air France . . .

JD: State-supported airlines?

André Dosé: No, no, not state supported airlines, but look at what happened in this country: Switzerland was probably the last country in which one would have expected government assistance for the airline transport industry. The big airlines play such an important role in the economy of a country that the country can simply not afford to see them disappear. If the “national carrier” or the former national carrier were to go, you would not have that many direct flights, then you would not have such an attractive place for businesses, which would relocate to another city and government. Don’t forget that in our case two thirds of the financing came from Swiss industries, not the government. It was a one-time injection by the government only. Currently we are capitalized with 2.7 billion Swiss francs of which only 600 million is from the government. Of course they had to bridge Swissair to keep it flying until we could take over-that was the big one- but now they are only a 20 percent plus shareholder in the company.

JD: Essential in any merger, and I guess you would call Crossair’s take over of Swissair assets a merger, there are significant difficulties or challenges in integrating the two separate corporate cultures. Swissair was established, proud, mature, and in a Swiss context (except for the past few years), one of the country’s corporate stars. This must have been extremely difficult in integrating this kind of company into Crossair, a much younger, entrepreneurial company. Was this compounded by the fact that Crossair did not take over the whole company, just carefully selected assets and divisions?

André Dosé: Well, actually right from the beginning due to the transitional period arrangements we had a huge firewall between Swissair and ourselves. And we did not take over anything from Swissair “just like that.” Number one, there were significant legal reasons that we could not be seen as the follow-up company of Swissair, as we could not be responsible for any past or future liabilities of Swissair. The hole left after Swissair is approximately 15
billion Swiss francs—this is all money owned to bondholders, creditors, vendors, and everybody else. From the very beginning it was important that we separate ourselves from all that. For example, we built up new legal offices in 60 countries with new legal structures (not simply a transfer of Swissair offices), and a lot of similar new units had to be built for IT systems. The difficult thing or the disappointing thing was the complete lack of cooperation by the Swissair management. They tried just about everything they could do to avoid us from being successful. Here I am talking about the very top management and not the middle management.

**JD:** So, it appears that there were winners and losers among top management, as can be expected in all major mergers. We were looking through your flight magazine on the flight up to Basel this morning, and we noticed that all your current top management is ex-Crossair. In my opinion you were right to get everyone out but your own team. Nonetheless, it sounds like there was a showdown?

**André Dosé:** Look, I was heavily criticized by the entire country here as well as all the headhunters who called me because I decided I was going to build the new company with the Crossair management. With hindsight, I have to say that had I not done that we would not be airborne now. I have a fairly young management team, they lack in certain areas a bit of experience, but what was important in this building phase was to have a very good team. This management is 100 percent loyal. What I have learned in these situations from a leadership perspective is that you cannot compromise. These top personnel decisions are hard to make but if you don’t do it . . . If I had done what people had wanted me to do, a balance, 50 percent top Swissair people, 50 percent Crossair . . .

**JD:** Greg Brenneman when he took over Continental fired 50 out of 61 top managers . . .

**André Dosé:** It is necessary. You also demonstrate which way you are going, and to get people to actually believe in it.

**JD:** Well, that is one thing out of the way, with previous Swissair top management out of the picture, but how about the other 6000 plus Swissair employees who joined the company? Does that make about 10,000 employees in total now?

**André Dosé:** Well, we had previously 3600 people at crossair and now including all the subsidiaries we have about 10,000 people. We paid yesterday the salaries for the first time, and the whole IT system collapsed.

**JD:** Too many zeros...?

**André Dosé:** Well, actually we have a very lean and mean management structure at the old Crossair human resource department, when you have to add 6000 new employees, and 6000 contracts were established in two weeks . . .
JD: Think of putting all the names in one by one.

André Dosé: Actually, HR calculated how long the printer would run just to print out the contracts, two contracts per employee. It was a huge exercise.

JD: Well, anyway, now the 6000 new employees are on board, all coming with the established Swissair mindset and work patterns. At any rate, a merger like you are living through involves creating a new corporate culture, and lots of work getting people and employees to adapt and become comfortable in the new company. What has been planned to integrate all these employees into the new working culture of Swiss International Airlines?

André Dosé: Look, on this question you have to separate a little bit. The most difficult exercise is pilots, as always.

JD: But early in your own career you were the representative of the pilots’ union at Crossair.

André Dosé: Well, actually I am a former bush pilot, and I have a little bit different thinking. I was with Eastern Airlines and I saw what the unions did to Eastern Airlines and why it collapsed.

JD: Eastern was not the only airline to be destroyed by a pilots’ strike, so you have my sympathy.

André Dosé: Well this was the difficult part. With the pilots from Crossair and from Swissair, the cultural differences are huge. We won’t mix the pilots for an entire year. We have started cultural integration programs on the human resource management level. . . but Pilots don’t mix too well now. Flight attendants, on the other hand, seem to integrate real easily; we don’t see big problems here. Ground personnel too. . . Well, people have to get used to a new style. This organization is a lot more flexible, a lot faster, people do more and also have more responsibility, but it takes time for people to adapt. Middle management has also adapted quite well. Pilots, on the other hand, we still have collective labor agreement issues: the Crossair pilots have not yet signed the current contract. We are not quite there yet, even though they get more (higher salaries than previously as Crossair pilots), they have refused it. They think they should be at the same level as pilots flying an Airbus or MD11 (previously Swissair planes and the incoming Swissair pilots) and this is just not possible.

As to our integration plans, we do a full one-day integration program for every new employee of the airline, we have done quite a lot with the management as to what we have in the program, as to what corporate culture we want to have, how we bring it across, and this is a process we calculate that will last about a year and a half until everybody has completed that training. And then the other most important thing is that you cannot really teach cultural change. You have to live it. For example, last week we had a once-a-month live band and drinks, and I did the bar service with the entire management. It was great, there were a thousand people, and this had never been done in Swissair. Lots of the old
Swissair employees were shocked to be served a drink by the CEO. But these things are important, and that is the sort of style and culture that we want to have.

**JD:** Well the training is underway but the employees are already here. Initially, what sort of problems have you had in the integration? What is the biggest shock that incoming employees have had?

**André Dosé:** That undoubtedly has been culture shock. Particularly at middle management levels, people have to get used to the idea that they have to carry a certain responsibility. Swissair had a very strong hierarchical middle management structure, and control systems were such that people did not readily assume responsibilities. We (Crossair) have a corporate philosophy that responsibility has to be at the lowest level possible and people must be given the competence to do things themselves. Too often, problems keep coming up in the organization, and I tell my managers that they have to decide themselves: it’s your problem, you have to decide, and people are not used to that.

**JD:** Did you flatten structures?

**André Dosé:** Oh yes, we cut out two or three levels of hierarchy. Ultimately, I have 13 people directly reporting to me. That’s not going to be possible in the future, I have to find another way in which I have less direct reports probably. It was very important to have short reporting lines in the building phase, because speed and decision-making were essential.

**JD:** One aspect, which has received quite a lot of press coverage, has been your strategy of branding the new airline. In your initial presentation on the launch of the airline, you spent a lot of time talking about the quality offering of the airline, mentioning such themes as “quality, prestige, tradition in care service, efficiency, reliability, cleanliness, attention to detail, and elegance, modernity, luxury, design, consistency, and solidly Swiss,” all these key words were mentioned in your presentation of the airline. This reminds me a lot of British Air’s success in an upmarket strategy in the 1990s under Sir Colin Powell. This branding strategy is certainly a lot different than both Swissair and Crossair were previously. How were you inspired to choose this emphasis at this point in the industry cycle?

**André Dosé:** Well, actually we did the rebranding in two or three weeks, a quick process, but I had this idea already in mind in October. The Swiss name was already in the back of my mind already.

**JD:** André was there ever any talk of keeping the Swissair name? Was it just the 300 million Swiss francs that had to be paid for the goodwill in order to buy the name?

**André Dosé:** Six-hundred million. Financially that was not possible, for legal reasons it was an absolute no go also, and for me the most important thing is that had we gone with the name Crossair...
or Swissair people would have seen us still as the old Swissair, with all the problems it had. If you want to build something new you have to give it a new identity. This is also the reason we are not in the same building in Zurich. You have to pull people out (of their old identity) and I wanted everyone under one roof, including the pilots, with Sales just one floor down so that during the breaks everyone can mix. To me those are aspects that are crucial.

As to the rebranding, we want to be a premium airline, not an airline for first-class passengers, but premium in all three classes. I am a firm believer in that all along because I knew Swissair from when I worked there in the mid-seventies, but you have to also look a little bit at the situation of Switzerland, the Swiss culture, the reputation Switzerland has abroad. I think that Colin Marshall did absolutely the right thing also. We invest quite a lot into the product also. The reconfiguration of the cabins is not done, but even there we go through stages. What we want to do is forget about those people who don’t pay for it (a slightly better level of service). Already on some of our flights, we have closed the lowest booking classes in terms of fares and we still have 90 percent seat load factor. With the market outbound from Switzerland I am absolutely convinced that people are willing to pay, not much, but a little bit more, for a premium service. Our growth strategy is growth not by volume but growth over quality. We want to get a better mix in our classes, therefore a higher yield, and I think we can do that.

But the branding is a whole program, it is not just what we do in the air but also what we do on the ground also. Of course there are lots of ideas still to be implemented, but we want to have a premium product, but a very clear and simple product, as I don’t want to have an entirely different product in all the classes. For instance, Swissair had cardboard coffee cups in economy, a certain type of cup in business class, and they had yet another coffee cup in first class. Now that adds to the complexity in catering and there is no reason in the world why an economy class passenger should drink a different cup of coffee. In first class you will have a Cognac glass with it and a lot more. Well, you take out complexity and the cost savings you can put right back into the quality of the passenger’s meal. So my main emphasis is to invest where the passenger sees it.

André Dosé: There were lots of challenges. The first one was that we had to build this airline out of nothing in four months, so during that time frame, I always told people you cannot do the whole job perfectly, not the whole 100 percent, you can perhaps do 70 percent so don’t get lost in the other 30 percent. However, now, it is very, very important that we change course rapidly; now that we are an operating company the other 30 percent is extremely important. Control is important now. We have to lead this company like a normal company now, and this entails financial control, product controls, we have to monitor our quality, etc. Such details are very important now. Everybody was so happy that we got airborne so quickly and now Swiss is flying, and that is normal to everybody, but now we will be measured on our financial success of course, and we have to live up to our promises. To implement that will require a different attitude and a different
focus. We have to go now after every single detail and solve it. We have to show that this business plan can work. We now have one quarter of operations, that is fine, but we have a horizon of 2004 or 2005 and the challenge is to reestablish the full confidence in the market. That incidentally works better in foreign countries. In Switzerland, we still have to do a lot, we have to work a lot with the travel agents. At this stage they still sell 80 percent of our tickets and there is still a lot of hesitation from these sources. With the collapse of Swissair, many of the travel agencies had trouble, many of these are small family owned firms that lost a lot of money, and in Switzerland there are still travel agencies promoting Lufthansa and British Air, not too convinced that Swiss is a stable company. There we still have to do a lot more. One of the biggest challenges is to get full membership in the alliance. We need bilateral agreements with all the other One World member airlines. That is going O.K. with most of them.

JD: A lot of this sounds like the following: you built the company, got it flying, and now it has to be run. I guess the question in the minds of most participants, the press, and certainly the financial community is: “are you making that transition well?” Is that on track?

André Dosé: That is exactly the issue. We are measured now by different criteria.

JD: Now speaking of criteria, I think in your Phoenix business plan your key figures are 2002 revenue of 2 billion, loss of 1 billion, and profitability on 5 billion revenue in 2003. Are you still on target there? [AQ:2]

André Dosé: Well, as I said earlier we are about 50 percent net better than plan, so that is good, and costwise, we are overall better than business plan. The big cost items: we leased the aircraft and bought the aircraft at prices I am convinced that we will not see again for the next seven or eight years, we really got in at the very bottom. And not just the prices but the flexibility is important in leases, of course to get out, but also as to long-term price agreements we are some 45 percent better than former Swissair had, which undershot the business plan by 10 percent. We had in the business plan jet fuel prices the highest ever at 44 centimes a liter in October, and we are substantially below that. We overshot a little bit in the labor costs, but we did get the incoming Swissair pilots in at 35 percent lower costs and the cabin attendants at 10 percent lower cost. Efficiency in the organization as I mentioned is a lot leaner, we cut out a lot of that fat. Cost control is very important to us, and we are on track. Revenue-wise, the load factors are increasing, the yields are increasing, and turnaround is still expected next year. We have had considerable startup costs, we have had tremendous legal fees in registering 60 branches in foreign countries, and we have had to deal with a lot of legal problems in Switzerland and France. Consultants you need in this organization because we had a lean organization, but most of these costs are one-time at startup. We had to bring a lot of new things on board, paper, tickets, cups have to be security
branded, of course these are the things an airline replaces every three or four years, but we had to bring it all aboard to get started. All these costs we are not going to have next year. So to answer your question, I believe that the financial markets will judge that we are making that transition very well.

**JD:** How about the dual headquarters issue: Basel is where your office and administration is headed and Zurich for the rest of the company?

**André Dosé:** That is not ideal of course and this takes out some of the efficiency. The dual headquarters idea was a compromise, necessitated by our shareholders who insisted in having parts in Zurich and parts in Basel. Legally, the government refused the double seat; we are still headquartered in Basel. The justification of the government is that it was not a merger; the new company was built on Crossair which is located in Basel. But in the operation we have two thirds of aircraft movements out of Zurich, so we have operations and the crew based in Zurich, and sales are based in Zurich, but everything else is based in Basel.

We have a substantial cost advantage in Basel. We pay here for our headquarters about 200 Swiss francs per meter, and in Zurich the cheapest buildings you can get are around 500 to 600 Swiss francs annually per meter. You need to also add the labor differential, which is important. In Basel, we are in a region where we have a lot of labor from Alsace and from Southern Germany, and actually from all over Europe at significant cost advantages. As to work in our Basel, operations people do not need a work permit here. (The Crossair headquarters is located at the Basel airport, itself on French territory. It is governed under bilateral agreements between France and Switzerland and it is very unique for this country.)

And if you look at the efficiencies we have with labor there is a huge cost difference. For instance in our revenue accounting, each Y2 form has to be cleared and registered manually, despite all the advances in IT technology: this task is still extremely labor-intensive in the industry. Swissair had a company in India that did that but we did not take it over because we could do it cheaper and better here in Basel. So we have a good situation here, which justifies our dual headquarters a bit. I keep an office in Zurich also of course.

**JD:** Deregulation in the airline industry is still to come in Europe. Deregulation in the States for this industry was a disaster, as I believe a frequently quoted statistic is that during the first decade of airline deregulation in the States the whole industry made enough profit to buy two 747s. A disastrous showing for a whole decade of work, especially considering how capital-intensive the industry is. How do you see the European landscape impacted by coming deregulation?

**André Dosé:** We are in the middle of it actually. Deregulation is already here. But some of the aspects of deregulation are hindered by a lack of landing slot capacity. To compete with a major airline in Europe now, one would have difficulty in obtaining land slot time at commercially interesting times.
JD: There is just no space left in the inn?

André Dosé: No space left. Yes, it is just a little different than in the States where you had a lot of airports, secondary airports, old military airports that you could land in. Look at Newark for instance, before deregulation it was not even on the map. That created opportunity for other airlines to build up new airports, and in Switzerland you don’t have this. You have Zurich, Basel, and Geneva and that is it.

Culture still plays an important role in Europe. If Swiss were to run a shuttle from Glasgow to London, I don’t think they would be successful. If Alitalia were to fly from Geneva to Zurich, I don’t think they would be successful. And again that is different from the States. The diversity of cultures still plays an important role in Europe. It is certainly a lot easier for us to get traffic rights to and from Switzerland with the new bilateral agreements, but we have no ambition to use these rights to fly from, say Hamburg to Stockholm for example.

JD: How about your stock? I see that your stock is still trading under the Crossair name. When will this change, and what appears to be the thinking of the financial community as to investment in your company?

André Dosé: Yes, but the name will be officially changed to Swiss International Airlines at the upcoming general assembly. As you know, airline stock is extremely difficult in this current market. We have to work quite hard with the institutional investor analysts, and I meet them once a month. In our own case, new investors to the company have a lock-in period of 12 months, and there are very few of the old Crossair shares traded, in fact currently something like only 2 percent of our capitalization is held by individual investors in the old Crossair, and this is what you see trading in the market. Hence because of this there are big jumps on very small volume. Crucial to us will be the half-year results (coming in three months). People will project those forward to estimate for the full year. What the financial community likes about us is our cost basis, they like the capacity cuts we did, the fact that we are very focused on our core business without any subsidiaries like the previous Swissair. We made the message very clear that we want to concentrate on our core business, and I think during these times the financial markets will like this.

JD: I guess our question was more about the future of the business. It looks like you got off to a good start, but how about the future? As long as the macroeconomic recovery continues, business should be good. What could throw a wrench into those plans?

André Dosé: The strongest months anyway in the airline business are in the fall-September, October, and November-so this should help us. Where I am worried is not the economic picture, except perhaps for Germany as this is an important market. The worries I have are political worries. If we have further problems in the Middle East this could be bothersome, as we have many high-
yield destinations in that market and further tensions could certainly have an impact on fuel prices. Those are the big risks as I see it in our business plan.

JD: How about refinacement risk?

André Dosé: Well, this is the reason I insisted so much on this 2.7 billion initial capitalization, as this will give us an equity ratio of 35 percent even after the projected first year loss of 1 billion, which now I have hopes that any expected loss will significantly lower than our business plan projected loss. Hence with the 35 percent equity ratio this will give us room to maneuver. In fact it is a ratio that is better than most of the traditional airlines. So if there is a storm this will give us the possibility to weather it out. We also have many possibilities to improve our balance sheet, we can do sale and lease backs easily on aircraft, so I think financially we are quite sound.

JD: Tell us a little bit about your leadership style. What are the challenges of leading this new company, as compared to Crossair?

André Dosé: We have very specific ideas on leadership. People cannot perform if you don’t give them freedom. I am not a firm believer in too many rules. If you have a strong corporate culture you do not need too many rules. I lived for a long time in the States and what I liked about it was your individual freedom. One problem younger people generally have in the management here is that they are unable to accept responsibility. But if the rulebook is too big and everyone refers to it, then people don’t make decisions anymore. If you have a problem rather than giving the passenger a free ticket to his next destination because he missed the flight, if the rule book says that because you have a medium-yield ticket, that you cannot do that, that is not what I want. But this is just one aspect of the huge change we have to do, and it is not that easy. People are not used to that in general. I also do not believe in having a zillion committees. In this sense, my leadership strategy is top down, and there are certain things that are you have to do top down. Take for example, our marketing concept; it’s the branding of the product. I insist on seeing everything that goes on board, nothing goes on board I haven’t seen. You have to have a clear focus and you cannot have too many people doing this and other than that we have a very liberal style. Again I delegate responsibility at the lowest level possible, I think it’s extremely important. And my general philosophy is people cannot perform if you don’t give them freedom. I’m not a firm believer in too many rules; if you have a strong corporate culture then you don’t need many rules because that’s the guarantee that people go to the right direction, so I spend a lot of more time building a strong corporate culture rather than having manuals with rules. But then of course if you give people freedom you have to accept also what they’re doing. Sometimes I catch myself saying where the hell is this guy going now? But then you have to be a bit patient and maybe it goes a slightly different way then I had in mind, but you have to accept that. That’s important.
A good point. Where did you develop this leadership style? I have told my colleagues a bit about your background, from your professional football days, to being a “bush pilot” as you say (actually a corporate pilot), to working your way up the ranks in Crossair. What in your background has prepared you best for this challenge of building and running this new airline?

Well, to be frank with you, one of the most important things is that I know this business really from scratch . . . I know every aspect of this business. I’ve been in it since 1975 and I’ve worked in every sector including the actual flying and that’s probably what helps me the most. That’s the biggest asset I think. And if you’re in this business for such a long time and you know it from bottom up, then you know exactly how it works and when you’re constantly in the business, you saw also how it changed. I was with Swissair when it was really a national carrier. I lived deregulation in the States, you know. I came here to Europe, we built Crossair basically from scratch, it was yet something different, it was regional traffic, and so I have a good overall view. And I always had to fight, that’s probably also good.

In my experience, that’s a good background for this kind of job. Are you still playing some football these days?

Well, I’m still playing . . . I’m playing with the veterans from the former National League. Of course, I know these guys from when I played in the National League, when Basel stubbornly won the championship for seven years in a row, and I played with these guys in a senior championship period. And of course we have a big hype in town now, you know that Basel won the Swiss championship yesterday. We had thousands and thousands of people in the city, everybody went downtown, the trams couldn’t go through the city, it was a big party all night yesterday.

Ah, that’s why you look a little tired . . . now there was one last question, what would be the most important thing you wanted to tell the world?

Fly Swiss. I look forward to having you aboard our airline in the near future.

We wish you the best continuation as you lead this company to success.

**APPENDIX**

**MERGING SWISSAIR ASSETS INTO CROSSAIR: CREATING A NEW SWISS AIRLINE**

The merger of Crossair and Swissair can hardly be called a merger of equals, up until literally a few weeks before the actual bankruptcy of Swissair, Crossair remained a majority-owned but separately listed
subsidiary of the Swissair group. Essentially a regional European airline of essentially 1 billion (Swiss Francs) plus revenue compared to Swissair’s last year circa 7 billion revenue, Crossair until recently was very much the Swissair “little brother.” By gaining independence just before the Swissair’s bankruptcy through a capital infusion from United Bank of Switzerland and Credit Suisse, Crossair was able to steer clear of the Swissair collapse and keep its independence, although it did announce a significant extraordinary loss in FY 2001 due to lost revenue from Swissair’s demise.

WHAT CAUSED THE DEMISE OF SWISSAIR?
As if it were easy to find one specific event, management failure, or corporate strategy responsibility for Swissair’s demise, most observers conclude that a lot of the problem was a misconceived, expensive expansionary phase undertaken during the 1990s as Swissair tried to build up a global /pan-european aviation presence through an active acquisition strategy. First in the Swissair acquisition sights was a significant minority stake in Sabena (49.5 percent ownership but with the rest firmly in the hands of the Belgian government). When 1998 brought excellent industry results, Sabena under the new Swissair ownership was able to announce a profit for the second time in its 72-year history. Buoyant industry conditions meant that Swissair’s “turnaround miracle” of Sabena added fuel to the acquisition fires, boosting a series of other expensive airline acquisitions following the McKinsey advocated “hunter strategy,” building up a series of equity stakes in “synergistic” carriers to create a broad alliance capable of holding its own with the major European carriers. If the strategy had worked, Swissair might still be flying; as it was however, by early 2001, Swissair’s results had become disastrous, with an announced 2.9 billion Swiss Franc loss for FY 2000, virtually wiping out the company’s total capital. By October 2001, the company was cash dry and grounded flights for a day, leaving 38,000 passengers stranded throughout the world.

ENTER THE WHITE KNIGHTS
With an estimated one in six salaries in the Zurich region directly or indirectly depending upon the airline transport business, Swissair, and/or the Zurich Unique Airport, convincing the government to keep the airline through a bridge loan and capital participation was both difficult and necessary. And once enough cash was put back in the till to keep the airline flying for another six months, enough had to be found to keep the airline flying indefinitely. After quite a few international buyout firms showed cautious interest in Swissair assets,
Crossair under the leadership of CEO André Dosé was able to carry the day with their Phoenix Plan to buy out some 65 percent of the routes and fleet of Swissair and incorporate together with Crossair into a new airline.

SWISS INTERNATIONAL AIRLINES LAUNCH
The last six months and the lead up to the recent March launch of Swiss International Airlines has been bumpy, rapid, and exciting. Getting the Swiss government to put up 20 percent of the capital, the cantonal government 18 percent, and the private sector the remaining 62 percent of 2.7 billion in one of the worst airline industry years on record has been no easy task. Neither had been the task of rebranding the airline, nor keeping seats filled in the disastrous industry conditions worldwide after September 11th. Yet the new airline is ready, flights commenced under the Swiss brand April 1st.

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AQ1: Earlier referred to this person as Sir Colin Powell. Which is correct?

AQ2: In what currency are these figures? U.S. dollars?

AQ3: Sentence is unclear. Please clarify.