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Greece Warns Airline to Cut Costs or Fold

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Reuters

ATHENS — Greece said Thursday it would shut the ailing state-run airline Olympic Airways unless the company found ways to slash costs by 250 billion drachmas (\$774.7 million) over five years.

“Olympic’s management and workers must agree on ways to save 50 billion drachmas a year, over the next five years, or it will close down,” Transport Minister Tassos Mandelis said. “This is Olympic’s very last chance to survive.”

He said Olympic’s 1997 deficit was estimated at about 6.5 billion drachmas, attributed to pay increases to company employees last year.

“If we continue this way, then

Olympic’s deficit will reach 60 billion drachmas by 2002 and it will be forced to sell its planes just to cover the operating cost,” he said.

Mr. Mandelis said a 1994 recovery plan for Olympic approved by the European Union “has been overturned due to union action, mistakes by the management and other reasons.”

Greece has paid about 620 billion drachmas since 1994 to write off Olympic’s debt in line with the EU-approved plan, which aimed to turn the company around through early retirements and fewer flights after 20 years of losses. “We will not ask the taxpayers to pay another drachma for Olympic,” Mr. Mandelis said.

Government officials said the new cost-saving plan would include: minimum salary increases or a salary freeze; slashing overtime pay; longer working hours for flying crews; canceling of perquisites, like free tickets, for company employees, and reducing seasonal employment during the summer.

Olympic is the first state company to undergo reforms to meet Greece’s commitment to public-sector savings after the drachma’s entry to the EU exchange-rate mechanism last week. Greece devalued the drachma by 14 percent last week to enter the mechanism. It also made a commitment to cut state deficits, reduce inflation and increase productivity.

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