

Transport in Italy

Trains v planes

Nov 6th 2008 | ROME

From *The Economist* print edition

The revived Alitalia will face growing competition

APPARENTLY at ease with risk, the businessmen and bankers who are investing in the phoenix-like rebirth of Alitalia submitted an offer for the airline's assets to the bankrupt flag-carrier's administrator on October 31st, even after failing to convince pilots and cabin crew to sign new contracts. But although fuel costs have fallen lately, the outlook for aviation has worsened. The economic slowdown is weakening demand. And now fierce competition is threatening the airline's services between Rome and Milan—a core part of its business.

On November 3rd easyJet, one of Europe's leading low-cost operators, began operating four flights a day from Fiumicino, Rome's main airport, to Malpensa, Milan's second airport. But an even greater danger to a reborn Alitalia may be that posed by trains. Allowing for journeys to and from the airports and the time needed for check-in, security and boarding, a trip from central Rome to central Milan by plane takes well over three hours. The quickest train takes just over four hours. But on December 15th a 182km (114 mile) section of new track will open between Bologna and Milan, cutting the journey time by about half an hour. And at the end of next year 79km of high-speed track between Florence and Bologna should enter service, reducing the one-hour travel time between the two cities by almost half.

Moreover the threat does not just come from Trenitalia, the state-owned rail operator. Last month Nuovo Trasporto Viaggiatori (NTV), a private-sector operator headed by Luca di Montezemolo, Ferrari's boss, revealed plans to operate high-speed trains between cities including Rome, Milan, Turin and Venice, starting in 2011, with 13 trains a day between Rome and Milan.

Mr di Montezemolo is sure he and his fellow investors are on to a winner. "Italy is a country made for high-speed trains. There is nothing to be gained from investing in airlines," he says. Intesa Sanpaolo, Italy's biggest bank, which owns 20% of NTV, agrees with him—up to a point. It is hedging its bet with a large stake in the firm resurrecting Alitalia.