

Executive Travel

The EL AL Culture

An Interview with Israel Borovich,
Chairman of the Board, EL AL Israel Airlines Ltd.

EDITORS' NOTE Israel "Izzy" Borovich was appointed to his current position in January 2005, after serving as President and CEO of Arkia Israeli Airlines Ltd., the domestic carrier for Israel. He has also served as President and CEO of Arkia's parent company, Knafaim Arkia Holdings Ltd, which is also the controlling shareholder of EL AL. Borovich serves as the Chairman of the Board of Granit Hacarmel Investments Ltd. and Sonol Oil Company, as well as a member of the board of trustees of the Polytechnic University of New York. Before joining the private sector, he was a professor of information systems at Tel Aviv University from 1971 to 2002, and later became a professor emeritus of computers and information systems at the university. Borovich holds a bachelor's degree and a master's degree in industrial engineering, as well as a PhD in operations research, from the Polytechnic Institute of New York.



Israel "Izzy" Borovich

COMPANY BRIEF Established in 1948 and based at Ben Gurion Airport in Israel, EL AL Israel Airlines Ltd. (www.elal.co.il) offers flights between Tel Aviv and more than 40 cities in North America, Europe, and Asia. With reservations offices in more than 100 cities worldwide, EL AL has alliances with some of the world's leading airlines, and codeshare agreements with Iberia and Swissair. An agreement with American Airlines is scheduled to begin this spring, based on government approval. The company also owns kosher catering services, a hotel chain, and a charter airline, offering flights between Israel and Europe.

Were you pleased with the strength of EL AL's business in 2007, and how is 2008 shaping up?

EL AL just recently completed its three-year-plus privatization process a few months ago. We are very happy with the changes that have taken place as well as with the financial results in 2007, which were the best in EL AL's 60-year history. So I'm very happy and believe we are ready for 2008. Our best achievement over the years has been the change in our culture. EL AL became very compact and has been able to adjust itself to changing situations in the market. Big airlines aren't always able to do that. Every decision they make takes a very long time. So



we are ready for the future, we are ready for the competition, and we are ready for the open sky.

What are some of the key elements of your plans for EL AL's future?

Working with a consultant, we developed some tenets for our new business model. First of all, we are testing and reevaluating our destinations and eliminating non-profitable routes. It is difficult for many airlines to let go of routes, but you shouldn't fall in love with anything in business. At the same time, we are increasing the frequency of profitable routes, such as those from Los Angeles, where the number of nonstop flights to Israel will be five weekly as of the first of April. We are also eliminating certain aircraft in our fleet and are adding new state-of-the-art airplanes. We have decided to become a point-to-point airline. For instance, if you want to fly from Tel Aviv to Chicago, we'll fly you nonstop into New York and, through an agreement with a leading domestic carrier, send you to your final destination. We recently signed a codeshare agreement with American Airlines for both Europe and North America, for example. So we have achieved our strategic objectives.

Do you feel you are covering the right routes today? Do you anticipate any changes to the list of destinations the airline services?

We have a very high security cost – about \$45 per seat, regardless of the length of the flight. So that's why we got out of short flights. We don't fly to Turkey or Cyprus. Now we fly only medium-length or longer routes, but we're enhancing the frequency of those flights and we're concentrating on premium passengers, from whom a big portion of our profit comes. These changes have been very successful.

What sort of food can your passengers expect when in flight?

Food is very important to our passengers. EL AL offers kosher food that is also tasty and healthy. We have great menus for breakfast, lunch, and dinner. We invested money in those menus and people are very happy. We conduct surveys to figure out the right things to do. We believe the passenger starts their trip with us when he checks into his flight, so we also offer delicious dinners in our lounges. We just opened

a new lounge at JFK, with an Israeli bank as the sponsor of the state-of-the-art business center, and you really can have a good meal there too. Premium passengers appreciate this, because many other airlines are cutting corners on food. But we spend a lot of money on it, as well as in-flight entertainment. We're installing on-demand video systems and systems that allow you to call any other seat on the airplane, and every EL AL state-of-the-art 747-400 and 777 aircraft has personal TVs at every seat, in all classes of service.

Many airlines now allow passengers to check in for their flights from home. What sort of technological services does EL AL offer?

We have invested close to \$30 million in IT, and it has actually helped us be in better contact with our passengers. With our new customer relationship management system, passengers can check in from home. In Israel, we can even send security to your home to collect your baggage. There is an additional charge for this service, but it allows you to immediately go through customs and board your flight. Contact with passengers is very important, and if we spend less time on the administrative work at the airport, we can spend more time with our passengers. We've made an enormous effort to improve the travel experience, rather than just the product itself. At the end of the day, all aircraft fly at the same speed. So it's clear that personal contact is everything.

Does the public have an understanding of how safe it is to travel to Israel?

Israel is a very safe country. What is shown on TV is not necessarily representative of the truth. The country is very safe and our security systems are excellent. 9/11 changed the world and the way we look at terrorism and risk. After 9/11, EL AL was the first airline allowed to fly, because we met the new strict security requirements set by the FAA.

As Chairman of EL AL, how do you focus your time and efforts?

Naturally, I spend a lot of time on strategy. Working for a global carrier, you think about the sun a lot. It's always rising somewhere, so the business is 24 hours a day, seven days a week. Executives in this business don't get too many hours of sleep. ●

The brand new EL AL 777