

Virgin Australia to go into administration: source

April 20 2020



Virgin Australia was already struggling before the virus crisis

Troubled airline Virgin Australia on Monday moved toward voluntary administration, an AFP source said, becoming the largest airline yet to fall victim to the coronavirus pandemic.

The cash-strapped carrier had appealed for an Aus\$1.4 billion (\$894 million) loan to continue operations, but the [federal government](#) refused to bail out the majority foreign-owned company.

AFP understands that staff learned of the decision late Monday, leaving about 10,000 pilots, [flight attendants](#) and ground crew in limbo.

Local media reported the decision was taken at a board meeting on Monday.

Administrators are now expected to be appointed to try to find a buyer for the company and manage creditors.

Virgin had stood down 8,000 staff, suspended all international routes and scrapped all bar one domestic route after Australia shut its borders to limit the spread of COVID-19 and imposed tough restrictions on movement.

The aviation sector—dominated by Virgin and flag carrier Qantas—had received a Aus\$715 million bailout from the Australian taxpayer and funding to resume a limited number of flights.

Queensland's government had offered Virgin an additional Aus\$200 million on the condition the airline kept its headquarters in the state capital, Brisbane.

New South Wales also tried to lure the airline to Sydney with promises of a cash injection.

However, those offers do not appear to have been enough to keep the airline from collapsing underneath more than Aus\$5 billion in debt.

Virgin was already struggling before the crisis, posting an underlying

before-tax loss of Aus\$71.2 million last year.

The airline is yet to make an official announcement and did not respond to a request for comment.

The Transport Workers' Union urged the government to work with any administrators to save thousands of jobs.

"It is a viable and much-needed business and without it Australia will struggle to get its economy back on track once the crisis abates," said union national secretary Michael Kaine.

There are already concerns about what Virgin's troubles could mean for Australian travellers.

In March, Australian Competition and Consumer Commission (ACCC) chair Rod Sims told AFP it was vital for the country to have a rival to Qantas.

"Australia went into this crisis with two full-service airlines and it's really important that we come out the other end with two full-service airlines," he said.

Public broadcaster ABC and the Australian Financial Review reported accounting firm Deloitte has been appointed administrator of the company.

Deloitte said it would not "comment on speculation regarding potential appointments".

© 2020 AFP

Citation: Virgin Australia to go into administration: source (2020, April 20) retrieved 10 May

2024 from <https://techxplore.com/news/2020-04-virgin-australia-administration-source.html>

This document is subject to copyright. Apart from any fair dealing for the purpose of private study or research, no part may be reproduced without the written permission. The content is provided for information purposes only.