

# Virgin Australia collapses under coronavirus strain

April 21 2020, by Holly Robertson

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Virgin Australia aircraft are parked on the tarmac at Brisbane International airport while a plane from Qantas, the only other Australian full-service carrier, flies in the background

Cash-strapped Virgin Australia collapsed Tuesday, making it the largest

carrier yet to buckle under the strain of the coronavirus pandemic, which has ravaged the global airline industry.

In an announcement to the Australian Stock Exchange, Virgin said it planned to keep operating flights despite handing the keys to administrators.

"Our decision today is about securing the future of the Virgin Australia Group and emerging on the other side of the COVID-19 crisis," CEO Paul Scurrah said in the statement. "Australia needs a second airline and we are determined to keep flying."

The airline was more than Aus\$5 billion (\$3.2 billion) in debt and had appealed for a Aus\$1.4 billion loan to stay afloat, but the government refused to bail out the majority foreign-owned company.

Administrator Vaughan Strawbridge, from accounting firm Deloitte, said more than 10 parties had expressed a "keen interest" in being part of the restructuring plans.

"There has been an extraordinary amount of interest in the business and in the restructuring of Virgin Australia," he told reporters in Sydney.

"And so we are confident that this will result in a restructuring being achieved in a short period of time."

Ratings agency Moody's said unsecured creditors would have to take "a significant haircut" if the restructure was successful.

"Nevertheless, such an outcome may remain preferable to putting the company into liquidation with uncertain recovery prospects," it said.

The airline had already made 1,000 workers redundant and stood down

8,000 of its 10,000 pilots, flight attendants and ground crew.



Passengers check-in at the Virgin Australia counter at Brisbane airport on April 21, 2020, after the carrier collapsed but said it would still keep operating flights

Strawbridge said the administrators would "seek to preserve as many of those jobs as possible".

Virgin suspended all international routes and scrapped all but one of its domestic routes after Australia shut its borders to limit the spread of COVID-19 and imposed tough restrictions on movement.

The airline more recently began operating limited domestic routes, as

well as flights to bring Australians home from overseas, with financial support from the government.

## **'I'm so proud of you'**

Virgin was struggling before coronavirus, posting an underlying before-tax loss of Aus\$71.2 million last year.

Richard Branson, the billionaire founder of Virgin Group, which owns 10-percent of the airline, tweeted a message in support of the Virgin Australia team.

"I am so proud of you and everything we have achieved together," he said.

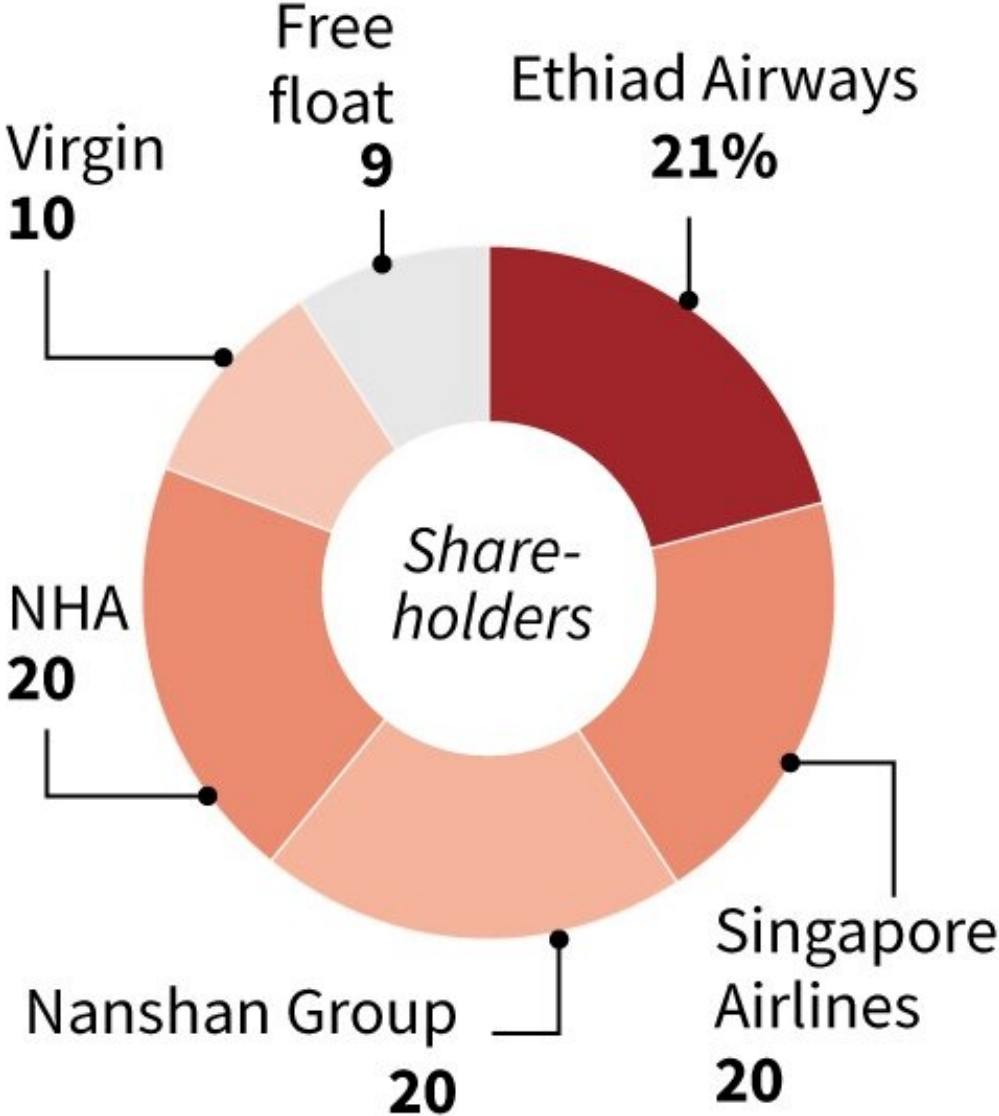
"This is not the end of Virgin Australia, but I believe a new beginning. I promise we will work day and night to turn this into reality."

Branson also joined critics of Canberra for failing to bail out the airline, saying governments in most countries had "stepped up" to help their carriers during the "unprecedented crisis for aviation".

The news follows the collapse of Britain's biggest domestic carrier FlyBe last month as the crisis threatens many firms.

# Virgin Australia

The airline entered voluntary administration on April 21



Source: Forbes

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Chart showing Virgin Australia shareholder composition. The cash-strapped airline announced it had gone into voluntary administration on Tuesday.

On Monday, Branson warned Virgin Atlantic would fold without state help, Norwegian Air announced four subsidiaries in Sweden and Denmark had filed for bankruptcy, and Japan's ANA slashed its annual net profit forecast by 71 percent.

The United States has set aside billions of dollars to support airlines including giants American Airlines, Delta Air Lines, Southwest Airlines and United Airlines.

The loss of Virgin would be a blow for Australians, who depend on air travel to get around the vast nation, and for the future of a tourist industry already reeling from months-long bushfire and COVID crises.

Australia has just two full-service airlines, Virgin and flag-carrier Qantas, which are complemented by their budget offshoots, Tigerair and Jetstar.

The Australian Competition and Consumer Commission is investigating Qantas for alleged anti-competitive behaviour after CEO Alan Joyce urged the government not to support Virgin and said his airline was "making sure we are the last man standing".

Prime Minister Scott Morrison admitted Virgin now faced a "challenging road ahead" but defended his government's response.

"If we had not taken the actions that we have... then all we may have



ended up doing is sending \$1 billion to foreign shareholders and that was never part of my plan," he said.

"My plan was always about seeing two viable airlines on the other side, two viable airlines that would be there not just one year from now, but five or 10 years from now."

The government had urged Virgin's foreign investors who collectively owned 90 percent—including Singapore Airlines and Etihad Airways—to come to the rescue.

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