

# Virgin Atlantic And United Airlines Are For Sale

It's been some time since bankrupt airlines were on the top of the media's bestseller list. However, we are now seeing a lot of these niche companies come back to life and become financially viable again.

Virgin Atlantic is one of those companies that has seen its share of struggles. Not only did it go bankrupt during the economic recession, but it also went through a power struggle between two of its most vocal promoters. When the airline merged with British Airways, it was the first time Virgin Atlantic was in a situation where it had to work with both British Airways and Air France.

Virgin and United Air Lines are probably the two best known airline bankruptcies on the market today. These two companies have had similar styles of promotion as the other. Neither of them was cheap to operate. Most of the losses came from the lower fare tiers because of the low amount of demand for those flights.

Virgin Australia had trouble because of a decision by a major American carrier to drop the Virgin brand name from their ticket prices. This decision cut into the profits on all Virgin Australia flights but the top end of the business. Since this is the least profitable segment of the airline Virgin Australia went under.

Even when airlines merge they don't always work out well. Virgin and United airlines made a deal that cut their losses by combining their profit margins. The combined profit from Virgin and UAL is now enough to support the costs of operating both airlines.

Fortunately for Virgin Atlantic and United Airlines, they have also been able to work with a strong investor group who saw the opportunity in a profitable and stable company with a good track record. British Airways and Air France made a deal with the investment group to sell a small portion of the company. As a result, Virgin Atlantic and UAL are now free of the large financial liabilities of the first merger.

A merger shows that one of the strongest media to invest in a new airline is an international group that can step in and provide funds to keep the business alive. The partnership will likely remain in the short term. The two companies must see some kind of return on their investment before they would consider merging with their competitors.

The takeover of Virgin Atlantic and Air France by an international investor could bring a couple of benefits to those two airlines. They would likely receive money from the buyer to help them fund some of the increased fuel costs. They also would probably get a favourable credit rating from a major credit agency that would help them finance their further expansion into the new markets and continue to attract more passengers to their flights.

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# **Find Best Airfare Deals**

## **Finding The Best Airfare Deals Available**

We can never dispute the fact that airfare of many airline companies today are intensely costly, especially if it's the peak season for international travel. Even cheap international flights can get too pricey if you don't get them at the right time. Getting some savings out of your travel cost might not be possible if you are lazy and avoid searching for the best airfare deals in the market.

If you want to cut down on the total of your travel cost then you better do your best to find the best airfare deals available for you. Here are some ideas on how to do just that.

### **Look For Discounts On The Internet**

Most airline and travel companies on the Internet offers low airfare rates and is quite convenient for consumers since they can easily book the flights they want in the convenience of their own home or at the office.



[This is Patna Airport. Passengers happily board a plane after booking through NC Airways](#)

It's quite easy to look for the best airfare deals on the Web since you can utilize search engines to make lookup much easier to deal with. You can go for travel-related companies affiliated with known airlines and have them book your flights

for you. One advantage to using these services is the ability to help you which days offer lower rates in terms of departure and arrival time, or on specific dates.

You might also want to check out on other possible deals that will help minimize your travel costs with other benefits – such as travel or vacation packages that include hotel accommodations, transportation costs, and of course, your airfare.

## **Consult A Travel Agent**

Travel agents are quite handy to have around if you need to have your flight booked according to your specifications without having to do it on your own. One advantage of getting these experts to do your work for you is their contacts in the travel industry to find the best airfare deals for you in the shortest possible time. Provide them with the details of your travel, such as the exact date you want to leave and return from your destination, budget, and the likes.

## **Try Out Off-Peak Hour Flights**

If you want to get the cheapest airfare deals in the industry then you might want to book your flight during off-peak hours – which is to say around late in the evening or early in the morning. In most cases, these airlines offer quite a discount for last-minute deals just to get as much passenger as

possible for every trip.

The only drawback to this solution is that there are many bookings for these seats in advance due to its cheap price. It is advised to consider at least 3 or 4 airline companies for this method so that you will have some seat available when you need them.

## Go For Cheap Airlines

If all else fails, you can always look for the [best airfare deals](#) on cheap airlines in the market. There are quite a lot of them around since many find it affordable to opt for this method of travel than getting one from known airline carriers. They are not known for quality or luxurious accommodations and seating is a bit cramped – at least it gets you where you're going without emptying your wallet.

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## Ask The Expert: Why is Spicejet in a Hand-to-Mouth Situation?

India's budget carrier airline, SpiceJet, presently operates nearly 630 daily flights to various domestic and international destinations. It has an impressive fleet size of 118 aeroplanes, comprising 82 Boeing 737, 32 Bombardier Q-400s and four B737 freighters.

SpiceJet has recently signed a codeshare agreement with the Gulf carrier, Emirates. Code-sharing enables an airline to book its passengers on its ally carrier and present seamless travel to destinations where it does not operate.

**Also Read:** [Jet Airways pilots look to join SpiceJet, IndiGo pilots see injustice](#)

This is the first-ever codeshare agreement signed by SpiceJet. The codeshare will permit opening of new routes and destinations for the passengers of both the air carriers. An initial agreement between the two airlines was signed in April 2019. Thus, travellers from all over the world can book a single ticket with lucrative rates to any of Emirates' nine points across India and connect onwards to 172 domestic routes on which SpiceJet operates.



However, the overall financial health of SpiceJet does not present a rosy picture. The company is facing a liquidity crunch. It has very low amounts of cash shown on its books. Media reports have said that the SpiceJet is bolstering its balance sheet with a fundraise through a qualified institutional placement (QIP), it is in talks with potential investors. SpiceJet has denied such reports. The so-called potential investors are missing too.

The fact of the matter is:

- As on 30 September, SpiceJet had cash and cash equivalents worth ₹93 crore.
- It had a net worth of about ₹850 crores (*negative*).

On the other hand, Spicejet's competitor, IndiGo run by InterGlobe Aviation Ltd had cash and cash equivalents worth

about ₹18,736 crores and a net worth of about ₹6,200 crores. SpiceJet's free cash flow was ₹115 crore compared to IndiGo's ₹3,111 crores for the first half of FY20.

IndiGo is India's largest airline by market share. SpiceJet is India's second-largest airline by market share after IndiGo.

**Also Read:** [SpiceJet considers taking over Jet Airways' aircraft, staff](#)

In six months ending 30 September, SpiceJet lost ₹200 crores. It did not expect such a loss. It had assumed that the operating environment will not remain bad. When Jet Airways shut operations in April 2019, other airlines like Spicejet assumed that they will benefit greatly. However, that did not pan out as per their expectations, yields did not show any marked improvements. SpiceJet expanded rapidly in recent times, taking advantage of Jet's closure to take up over 30 of Jet's former 737 NG planes, flying more passengers and raising fares. SpiceJet has also received some of Jet's domestic and international airport slots.

In SpiceJet's case, the grounding of Boeing 737 MAX planes did hurt to some extent. SpiceJet seems to have placed very high hopes on the so-called virtues of the MAX, like 12-15% lower fuel consumption and 10% lower maintenance costs. It made the cardinal sin of assuming this as the key to profitability.

Most aviation analysts view this as an almost a hand-to-mouth situation for SpiceJet. Things may worsen further if Spicejet does not apply a course correction. A saving grace is a fact that the fuel prices haven't increased too much.

When a company is viewed as financially strong, it is in a better position to get better deals from suppliers, vendors and aircraft makers. Even for a fundraising exercise, the investors investigate its finances and then invest.



SpiceJet and other airlines like SpiceJet are not presently able to pass through such rough weather. They invariably have low cash on their books because they allow their businesses to heavily depend on variables beyond their legitimate control like fuel prices and competitive pressures. They are neither aware of the true value of their net worth nor they are able to make the optimum utilisation of their resources – which is quite strange. Most of the time, they find themselves very difficult to sustain.

**Also Read:** [Indigo worst performing airlines for consumers; Air India's luggage policy best: Parliamentary panel](#)

IndiGo has much higher cash holdings, it can sustain longer, it need not resort to lame excuses when things (fuel prices, currency fluctuation, or competition) become severe for the aviation sector. IndiGo's secret is open. Its business model is different from others. Apart from generating revenue from aircraft operations, it also has additional sources of revenue. Sale-purchase and leaseback of aircraft form a major source of revenue for IndiGo. A robust cash holding position enabled IndiGo to order over 100 aeroplanes in 2006-07.

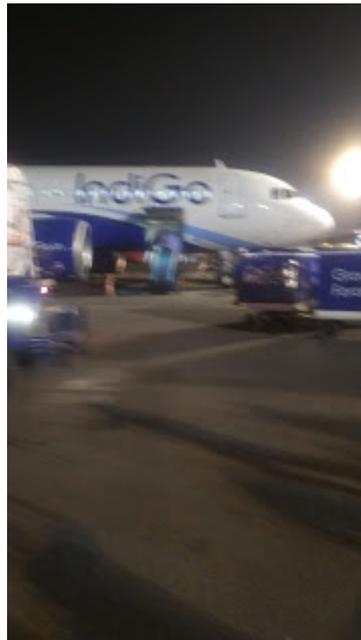
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# Ancillary Services Rescue

# Airlines

Airlines in India are succeeding to some extent in milking a few millions of additional rupees from their customers for “extra” services that are now used to be included in their fare prices.

## The Role of Ancillary Services



Airlines all over the world are on their way to rake in nearly \$110 billion in revenue this year from the sale of so-called “ancillary services”. These services have nothing to do with the operations of the aircraft: fuel consumption, maintenance, landing, parking or navigation charges. They are simply the extras best described as marketing gimmicks. These extras range from a choice of the seat to the volume of leg-space. Depending upon the way an airline fancies its marketing strategies, these may also include the ability to check one or more bags, chose an aisle seat, select seats together and/or in advance, to get reduced ticket change fees or additional frequent flier mileage points, or to get favoured check-in and security clearance procedures. Airlines clearly have today established the practice of charging more for such ancillaries.

**Also Read:** [Silly Gimmicks Used by IndiGo for Marketing](#)

The latest trend for the airlines has been:

to present a fully-stripped down, seat-only “Basic Economy” fares as well as various higher-priced “branded fares” that include various combinations of additional services.

But in the process, airlines have found in their customer feedback notes that they have disappointed more than half of their customers and left as many as 75% of them unhappy with their airline adventures. Such services historically were included in the price of the air-ticket. The airlines are yet to learn how to use customer data effectively to present fare options specifically tailored to the preferences of individual consumers. The skills required for revenue optimization (how a company dynamically adjusts the prices of its services to get, ideally, the highest revenue from a customer who is ready to pay for a service or product) have not yet been developed.

**Also Read:** [AAI's Unused Airfields Yet to be Put on Use](#)

More and more evidence is coming up which shows that a large segment of travellers:

- leisure travellers,
- less frequent travellers,
- high mileage business travellers and/or
- very frequent fliers

are surely not very happy with the kind and constituents of various fare price options that the airlines offer. There is indeed a visible sense of hopelessness across the spectrum of airline patrons.



Despite that impediment, despite the still-not-well-defined way of unbundling and re-bundling service packages in their unpredictably priced fares, airlines' efforts at raising ancillary revenues are setting new records with every passing year.

Ancillary revenue now signifies 12.2% of global airline revenue. That's more than double considering the industry's forecasted 5% operating profit margin in 2019. In other words, ancillary revenues have impacted greatly on airlines' profitability.

The global industry's \$109.5 billion in ancillary revenue now is more than half of the industry's total amount spent on fuel. In 2019, the fuel bill is expected to be around \$206 billion. This trend reveals that the rapidly evolving ancillary revenues have become a vital hedge against escalating fuel prices.

# The Role of ATF Prices

Airlines in India have long rued the high cost operating environment and high fuel prices. On November 20, 2019, the Parliament was informed through a written reply by the Civil Aviation Minister Hardeep Singh Puri in the Rajya Sabha that four domestic airlines including Jet Airways and JetLite, have shut their operations over the last three years for want of funds and unavailability of aircraft. The government has said that it is conscious of the financial difficulties being faced by the airlines and is responding to the industry situation.

The Minister listed out a slew of measures taken by the government to enable growth in the aviation sector. He said that the government was coordinating with all the stakeholders to resolve their issues.

As a result:

- the central excise duty on aviation turbine fuel (ATF) has been reduced,
- 100 per cent FDI has been allowed under the automatic route to ensure modernisation of airports and establish high standards,
- foreign airlines are allowed to invest up to 49 per cent in Indian carriers under the automatic routes and liberalisation of domestic code-share points in India within the framework of the Air Service Agreement (ASA).

However, the Minister made it clear that the government has no role in raising funds for private airline companies as it is an internal matter of the airline and each airline has to prepare its business plan on the basis of its own market assessment and liabilities.

## The Aviation Sector Elsewhere.

In Thailand, Thai AirAsia, Thai Smile Airways, Thai Airways International, Nok Air, Bangkok Airways, Thai VietJet Air and Thai Lion Air have submitted a request to the government to cut the excise tax on jet fuel to avoid downsizing or shutting down operations. They said they have been badly affected by the weak economy, the local currency's strength, and intense competition. This has reduced tourist inflows.



The Excise Department has proposed the seven low-cost and full-service carriers to increase the frequency of flights to second-tier provinces to enhance tourism there in return for a reduction in the excise tax on jet fuel. The Excise Department will cut the excise tax provided the airlines offer proposals that benefit the public, including more frequent flights to second-tier provinces.

"The government support is surely required if airlines are expected to take part in stimulating tourism in particular provinces," the airlines say. "Promoting travel in second-tier provinces is crucial for Thailand's tourism."

The United Arab Emirates's (UAE) is home to two of the biggest

global airlines, Emirates and Etihad. The share of the aviation and tourism sector in UAE economy is set to double to \$128 billion; is likely to support 1.4 million jobs in the next 20 years, from 800,000 jobs now as per International Air Transport Association (IATA) observations.

**Also Read:** [Atf Price Cut Is Steepest In Last Two Years](#)

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## AAI's Unused Airfields Yet to be Put on Use

Till 2019, the state-run Airports Authority of India (AAI) is left with 126 airports, which include 50 unused airfields, including non-operational ones, which do not generate any productive value. Three years ago, the Government had come up with an ambitious plan named UDAN wherein it proposed to put such airports under some utilisation. But, the scheme could not take off as anticipated.

**Also Read:** [84 Routes Under the UDAN Scheme Have No Operator Now](#)

Today, the government has realised that the country needs more number of airline pilots. It feels that there is a burgeoning demand for pilots in India and overseas. A new school of thought has emerged in the aviation ministry. That is, more schools for pilots should be opened up because India does have adequate human capital and it can produce enough pilots to meet not just its own demand but also supply pilots to the

world!

## **India's pilot shortage**

India's shortage of pilots, especially of commanders, is increasing as airlines expand aggressively. According to industry estimates, the country now has about 8,000 pilots and its airlines will require an additional 17,000 in the next 10 years. There is also global demand for pilots, especially from carriers in China and the Middle East.

India's current pilot producing capacity is not enough to meet the country's needs. It has 32 training institutes that produce about 300 pilots against the requirement of 800 a year. The country's fast expanding carriers have to hire foreign pilots otherwise they have to cancel flights at times. Jet Airways pilots, for instance, found jobs quickly with other carriers when the airline went bankrupt recently.

## **AAI's disused airfields may be turned into pilot academies**

As such, the government has started work on a plan to turn the AAI's ideal airfields into pilot academies. It is not considering their Real Estate virtues even after the flopped UDAN show. Those properties could have been utilised much more profitably by recognising its real-estate value and setting up a suitable industry by utilising judiciously the locally available resources.

The said plan envisages to activate as many airports – either non-operational or the ones used only sparingly – as possible. There could be various other airports or airstrips that could be used for pilot training.

**Also Read:** [Republic Airways Offers OU Pilots Job Opportunities](#)

The AAI board has recently approved the proposal and formed a three-member panel headed by former Indian Air Force chief

Fali H Major to decide on the number of airports that can be offered to pilot schools. It has not yet clarified how it will mobilise funds for such a venture. There is still no co-ordination among the general education system, and the Industry. Flying training in India is more expensive than many other countries, and one reason is taxation on fuel for trainer aircraft. The government must come up with a viable plan, it may have to look at the option of providing subsidies to make this scheme a success.

Air Force chief Fali H Major is an independent member of the AAI board. The others on the committee, which is to submit its report in three months, are Vineet Gulati, AAI's member (air navigation services), and Anil Gill, deputy director, Directorate General of Civil Aviation (DGCA).

The idea came from director general of civil aviation Arun Kumar, also a member of AAI's board, said persons with knowledge of the matter.

The team headed by the former IAF chief Fali H Major now has a challenging task in hand. It has to justify the government's decision of opening up more pilot schools like this on three main counts:

- the pilot training program must be cheaper than the prevailing rates
- a commercially better utilisation of the land that other real-estate schemes could have provided
- should not depend upon the government's sops, subsidies or any other form of concessions

This has become more significant since the UDAN scheme has flopped miserably before. In all probability, the Team Fali may like to consider an option which stems from the potential of non-aeronautical revenue which is inherently associated with every airport – functional or non-functional.

Experts said the initiative will need to be augmented by other

measures. Shakti Lumba, a former pilot who used to head operations at Air India and IndiGo says, "There are things like weather, visibility and Air Traffic Control factors that should be taken into account while deciding on the airports that will be shortlisted for flying institutes. The government should also provide incentives."

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## **Broken aviation complaints system favours the interests of airlines over passengers: Which?**

Which? has recently criticised Ryanair compensation arrangements.

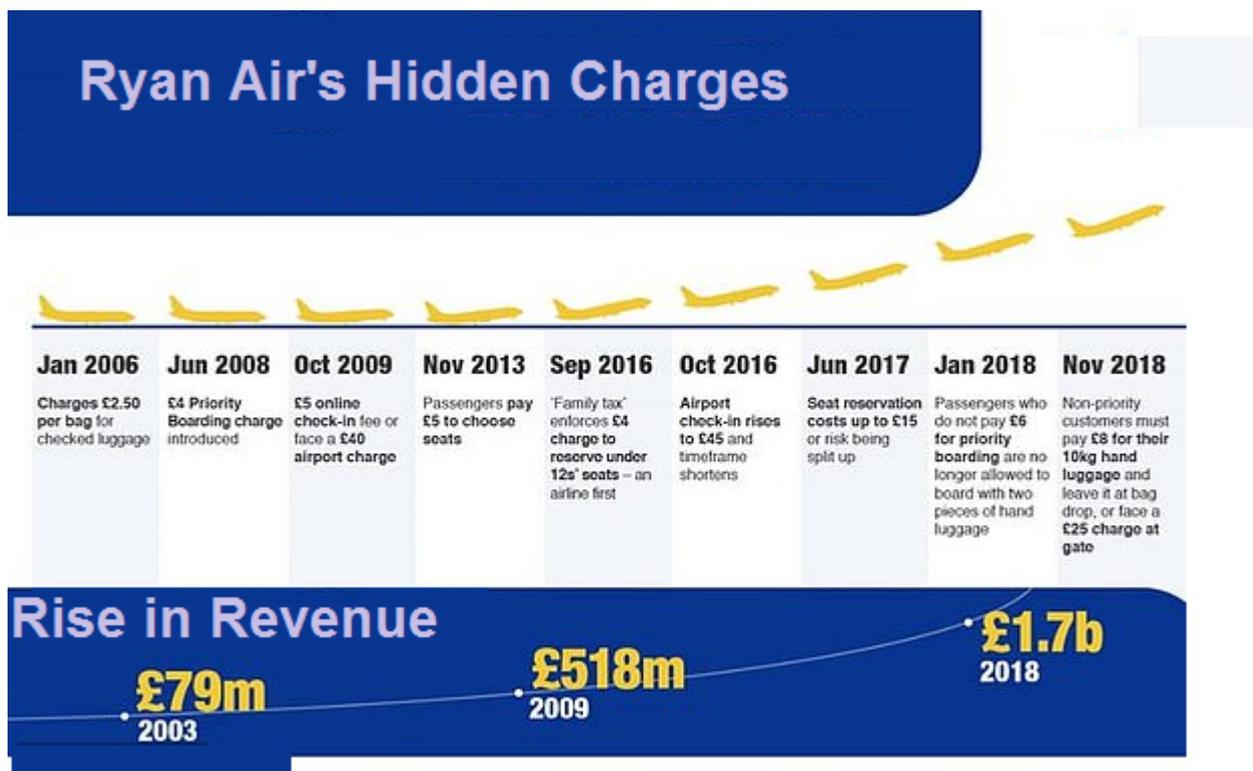
Nowadays, airlines are able to pick and choose between schemes which suits them. It can result in different results for the victim passengers.

According to Which?, a major overhaul of aviation complaints is needed. All airlines should be made to sign up to a single dispute resolution service that makes binding decisions within a reasonable timeframe.

The situation arose because of one recent Ryanair's behaviour.

Which? has disclosed that Ryanair was asked to pay more than £3.6 million in handling fees and compensation in 2018. But it

quit the aviation complaints body which later became a controversial decision.



With such ostrich like actions, airlines shirk their responsibilities towards their passengers. Ryanair may apparently have saved millions for itself – but it invites a huge loss in its credibility. It leaves its passengers jumping from pillar to post to get the compensation they deserve. This happens when Ryanair like airlines refuse to pay out when their flights are delayed or cancelled.

**Also Read :** [After Thomas Cook, Norwegian Seems to be Headed Into Bankruptcy](#)

The aviation world has recently seen airlines go bankrupt one after another. A given airline has to go through a number of difficulties like strikes, bad weather, maintenance issues, bird-hits, delays and stiff competition. Besides, airlines regularly undergo a plethora of other financial problems. But, they are all well-known risk factors. The due cover must have been envisaged before undertaking an airline business.

Most of the largest airlines flying from the UK are signed up to one of two UK schemes, Aviation ADR or CEDR. Although both have been authorised to handle escalated passenger complaints, none of these have become mandatory since 2016.

In the first 11 months of 2018, Aviation ADR received more than 14,000 Ryanair complaints and the airline was told to pay out more than £2.6 million to passengers in compensation between October 2018 and the end of March 2019, according to the most recent complaints data.

Ryanair also had to pay at least £75 for each complaint Aviation ADR handled – suggesting a bill for more than £1 million in fees alone during 2018.

**Also Read:** [Boeing completes Ryanair 737-800 deliveries](#)

But after Ryanair cut ties with the arbitration scheme at the end of November 2018, only 553 passengers in total pursued claims with the Civil Aviation Authority in the following four months – resulting in a huge saving in fees and compensation for Ryanair. It can not be compelled to pay out even if the aviation regulator finds the ruling in a passenger's favour.

As of April 2019, 466 of these claims were unresolved and official figures do not reveal if anyone had received compensation.

Even when Ryanair was with Aviation ADR, passengers complained of waiting as long as a year to receive any money – despite a pledge that claims would be processed within 90 days.

Which? has suggested the aviation sector to have a single mandatory resolution scheme which handles complaints swiftly and has some real power to implement.

This will possibly put an end to the current damaging behaviour.

Until these changes are made, it will continue to be far too

easy for airlines like Ryanair to get away from promptly refunding consumers who are left out of pocket through no fault of their own.

Rory Boland, Which? Travel editor said: "The broken aviation complaints system allows them to wriggle out of paying compensation and putting many people off claiming at all. The uphill struggle that many have faced trying to claim the compensation they are owed has left thousands of holidaymakers significantly out of pocket for delayed and cancelled flights. It demonstrates why all airlines must be made to sign up to a single resolution scheme with real power to ensure passengers are treated fairly and money is paid out where it's due."

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