Kuwait Times
BUSINESS
TUESDAY, APRIL 5, 2016

US factory data showing decrease in GDP growth
Page 22

India's biometric database crosses billion-members
Page 22

The offshore accounts used to hide wealth, avoid taxes
Page 23

AL SAYER & SONS WIN 'OUTSTANDING CUSTOMER SERVICE AWARD'
Page 26

LOS ANGELES: This file photo taken on January 24, 2016 shows a Virgin America plane near Los Angeles International Airport. — AFP

Alaska Air Group to buy Virgin America in $4bn deal

Debate reignites over airline consolidation

NEW YORK: Alaska Air Group Inc is buying Virgin America in a deal worth around $4 billion, making Alaska the biggest carrier on the West Coast and reigniting the debate over airline consolidation. The proposed merger also would give Seattle-based Alaska a foothold in key airports in New York and Washington DC, increasing the airline's appeal to business travelers.

"Our goal is to be the premier airline for people along the West Coast," Alaska CEO Brad Tilden told investors on a call yesterday morning. In Virgin's hometown of San Francisco, for instance, Alaska currently only flies to Seattle. Following the merger, it also would fly from San Francisco to several key markets including New York, Los Angeles, Las Vegas, Chicago, Boston, San Diego, Denver and Washington DC.

The merger pushes Alaska ahead of JetBlue Airways - which had also bid for Virgin - to become the fifth largest carrier in the US based on passengers. The combined airline would control 5.5 percent of domestic passengers, compared to New York-based JetBlue's 4.2 percent. By comparison, the four largest US airlines - American Airlines, Delta Air Lines, Southwest Airlines and United Airlines - controlled a combined 83 percent of domestic seats in the past year, according to an AP analysis of data from Diio, an airline-schedule tracking service.

Winning over customers

Alaska said the deal will add Virgin's 200 daily departures to its existing 1,000 daily flights. The airline currently serves 112 destinations in the US, Canada and Mexico. Both airlines have very loyal followings in their respective hometowns. Virgin quickly won over passengers with its new jets, friendly crews, trendy mood lighting, extensive seatback entertainment systems and meals on-demand. All of that could go away if Alaska chooses to fly a uniform fleet, a decision company executives say they are still debating.

Alaska fliers are just as loyal, loving the airline's compassion. Like other carriers, it charges for bag fees but was the first to add a service guarantee: if a bag doesn't make it to the claim area within 20 minutes, fliers get $25 off a future trip or 2,500 bonus miles. Virgin America's Elevate loyalty program members will become part of Alaska Air's Mileage Plan. The two loyalty programs will remain separate until the acquisition closes.

Virgin America got off the ground with support from minority owner Richard Branson and began flying in 2007. It went public in November 2014 with an initial stock offering priced at $23 per share. Virgin, which turned profitable - barely - in 2013, earned a record $340.5 million last year. The airline slowed down its rapid growth and got help from low fuel prices. Virgin is being forced to restart that growth this year as it takes delivery of new jets ordered years ago that can't easily be cancelled. New routes often start at a loss.

Loyal Boeing customer

Alaska first approached Virgin about a sale in the fall and - pending approval by Virgin shareholders in June and by government regulators - hopes to close by the end of this year. Alaska Airlines will pay $57 in cash per Virgin America share. That's a 47 percent premium to its Friday closing price of $38.90. Virgin's shares rose 40 percent in morning trading. The companies put the transaction's value at about $4 billion, including debt and capitalized aircraft operating leases.

The combined business will be based in Seattle with Tilden as its CEO. It will have about 280 aircraft including regional planes. Alaska has been a loyal Boeing customer for years, flying almost entirely a fleet of 737s, manufactured just a few miles from its headquarters. Virgin only uses Airbus jets.

The deal marks a shift in the size of consolidations within the airline industry. For more than a decade consolidation swept through the major players, reducing the largest nine carriers in 2005 to four airlines by the end of 2013. The Alaska buyout of Virgin indicates that consolidation has shifted to smaller players.

While Virgin has experienced growth in Dallas and added new service to Hawaii and Denver, the airline was having trouble getting enough takeoff and landing slots at busy New York airports, where access is restricted by government limits. Its smaller size and schedule made it difficult for the company to compete with bigger carriers for lucrative business travelers.

The deal is anticipated to add to adjusted earnings per share in the first full year, excluding integration costs, and boost annual revenues 27 percent to more than $7 billion. Alaska Air said that it expects about $300 million to $350 million in one-time integration costs. Virgin America Inc.'s stock jumped 40.6 percent yesterday morning, to $54.70. Alaska Air Group Inc, shares fell 4.5 percent, to $78.36. — AP

PARIS: In this Sept 17, 2014 file photo, travelers wait at an Air France customer service desk at Paris Charles de Gaulle airport. — AP

Female Air France crew can drop out of Iran flights over headscarf

PARIS: Women employees of Air France will be allowed to opt out of working on the resumed flights to Iran so that they can avoid having to wear a headscarf, a company official said yesterday. The airline will appoint a "special unit" to replace those who do not want to fly to Tehran, he said.

"Any woman assigned to the Paris-Tehran flight who for reasons of personal choice would refuse to wear the headscarf upon leaving the plane will be reassigned to another destination, and thus will not be obliged to do this flight," human resources official Gilles Gateau told Europe 1 radio.

Air France is to resume on April 17 its Paris-to-Tehran service, which had been suspended since 2008 because of international sanctions against Iran over its nuclear ambitions. Unions say company executives sent staff an internal memo regarding flights to Tehran saying that female cabin crew would be required to wear trousers on board with a loose fitting jacket and must cover their hair with a scarf when they leave the plane. The headscarf rule is already in place when flying to certain destinations such as Saudi Arabia. Unions, who held talks with the human resources chief yesterday, argue that an escape clause was already in place for flights to Conakry in Guinea during the Ebola crisis last year and for services to Tokyo following the 2011 Fukushima nuclear disaster. — AFP

Most of Gulf gains despite weaker oil; Egypt recovers

DUBAI: Investors in most Gulf stock markets shrugged off further losses in oil prices yesterday, while foreign buyers helped to lift Egypt's bourse. Riyadh's index recouped most of the previous day's drop and rose 1.4 percent, as local retail investors bought back speculative stocks that they had dumped on Sunday. The insurance sub index jumped 2.3 percent after tumbling 3.5 percent on the previous day.

The petrochemical sector also rebounded, adding 1.5 percent as Saudi Basic Industries, the largest listed petrochemical producer, added 2.0 percent. Almarai, the biggest dairy producer in the Gulf, added 1.0 percent. The company said shareholders had approved a capital increase for the company through an issue of bonus shares. Saudi Airlines Catering added 2.0 percent after the company said it had signed a contract with Saudi Airlines Real Estate Development Co to provide catering and other entertainment services for the Saudia Hotel.

Telecommunications firm Zain Saudi rallied 9.5 percent to 9.20 riyals; Riyad Capital issued a note yesterday affirming its "hold" rating for the stock with a price target of 9.50 riyals. The mean price target of three analysts polled by Thomson Reuters, including Riyad Capital, is 9.25 riyals. "We believe that Zain will be able to strongly grow its subscriber base to reach 12.4 million subscribers in the first quarter of 2016," said the note.

Technical resistance

The Dubai index jumped 2.3 percent to 3,379 points, nearing technical resistance on the March peaks of 3,397-3,421 points as momentum started to build in the latter half of the session, with volume hitting a three-week high. Builders Drake and Scull and Arabtec each rallied over 6.5 percent and attracted 56 percent of total trading volume combined.

Blue-chip companies have been largely dormant for several weeks as local speculative traders continue to steer markets. Emaar Properties rose 2.6 percent in modest volume. Abu Dhabi National Energy Co (TAQA) jumped 13 percent after a 6.1 percent loss on Sunday. Last week the energy company reported a narrower fourth-quarter loss. Dana Gas added 3.9 percent.

But telecommunications firm Etisalat, the largest listed company by market value, dipped 0.5 percent. Its shares will go ex-dividend on Tuesday. Doha's benchmark edged down 0.2 percent in a second day of lethargic trade. Oil rig provider Gulf International Services fell 1.0 percent.

Egypt's main index, which initially fell, ended 0.7 percent higher in modest volume as foreign investors were net buyers, bourse data showed. Stocks preferred by international asset managers rose with Commercial International Bank and Global Telecom Holding, adding 1.7 and 1.3 percent respectively. — Reuters

Climate change puts trillions of dollars of financial assets at risk

OSLO: Trillions of dollars of non-bank financial assets around the world are vulnerable to the effects of global warming, according to a study yesterday that says tougher action to curb greenhouse gas emissions makes sense for investors. Rising temperatures and the dislocation caused by related droughts, floods and heatwaves will slow global economic growth and damage the performance of stocks and bonds, according to the report, led by the London School of Economics. "It makes financial sense to a risk-neutral investor to cut emissions, and even more so to the risk-averse," lead author Professor Simon Dietz, an environmental economist, told Reuters.

A global climate summit in Paris last December set a goal of limiting global warming to "well below" 2 degrees Celsius (3.6 Fahrenheit) above pre-industrial times, while leaving open precisely how this would be achieved. If the rise were limited to 2C by 2100, the study's central scenario put the total of current financial assets that could be damaged at $1.7 trillion. —Reuters