Cash-strapped Virgin Australia collapses under COVID-19 strain

First largest carrier that falls victim to the pandemic

BRISBANE: Cash-strapped Virgin Australia collapsed yesterday, 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. 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.

Airline is more than $3.2bn in debt

'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. 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. — AFP

ADELAIDE: Two travellers look at self-check-in machines at Virgin Australia in the departures area at Adelaide Airport in Adelaide yesterday. Cash-strapped Virgin Australia announced it had gone into voluntary administration yesterday, the largest airline to buckle under the strain of the coronavirus outbreak. — AFP

Hunt for storage space turns urgent as oil glut grows

NEW YORK/HOUSTON: The telephone lines have been ringing at Adler Tank Rentals in Texas as oil companies found a new use for steel tanks that had been left idle when shale producers stopped drilling - they want to use the tanks to store some of an oil glut that has overwhelmed the market and flipped US crude prices negative for the first time.

Hundreds of millions of barrels of crude have gushed into storage worldwide in the past two months as the coronavirus-related lockdowns wiped out around a third of global oil demand. With oil depots that normally store crude oil onshore filling to the brim and supertankers mostly taken, energy companies are desperate for more space. The alternative is to pay buyers to take their US crude after futures plummeted to a negative $37 a barrel on Monday. A topsy-turvy market that has oil prices for October delivery at $31 a barrel has oil firms anxious to sock away millions of barrels now to sell at a profit later.

Tank farms are full

In Cushing, Oklahoma, home to dozens of large tank farms with combined space for about 76 million barrels, operators are fully booked, said traders. Storage there jumped by 5.7 million barrels the week before last, according to the latest U.S. Energy Information Administration (EIA). While the government estimated there is available space, traders said Monday's market drop indicated any unfilled tanks are under lease, and not available to new renters.

"The industry is really scrambling to source viable storage options," said Stuart Porter, a manager at Adler Tank Rentals in Texas, which has shale companies lining up to potentially lease dozens of its 500-barrel steel frac tanks. The tanks can be lined up like dominos and filled at the well site by producers without a home for their oil. Converge Midstream LLC with millions of barrels of storage available in underground salt caverns outside Houston has gone from few takers to requiring one- to two-year contracts.

"Quite honestly we were struggling for business. Now that the market has changed, everyone is our friend," said Dana Grams, chief executive of Converge Midstream.

The hunt for storage points to the magnitude of the collapse in demand for US shale and the huge volume of unsold oil to refiners who are cutting purchases. Last month, the Organization of the Petroleum Exporting Countries (OPEC) and other producers including Russia threw in the towel on four years of self-imposed output curbs that gave US shale a price umbrella. The result was a drop in US oil prices to about $20 a barrel as Saudi Arabia and Russia pledged to pump full bore. For a time, it looked like prices would stabilize after the pair and other nations this month agreed to deepen cuts. — AFP

CBK Bonds and related Tawarruq

KUWAIT: The Central Bank of Kuwait (CBK) announced the most recent issues of CBK bonds and related Tawarruq at a total value of KD 240 million for 3 months with a rate of return 1.250 percent.

APICORP ratifies a callable capital increase to $8.5bn

KUWAIT: The Arab Petroleum Investments Corporation (APICORP), a multilateral development financial institution, announced yesterday that its General Assembly ratified a landmark increase in callable capital to $8.5 billion at its Annual General Meeting (AGM), as well as a significant increase in authorized and subscribed capital. The increase, the largest in the Corporation's history, is based on the recommendation by APICORP's Board of Directors.

The increase in the capital reinforces long-term commitment towards APICORP's sustainable growth plans for the benefit of its member countries. The callable capital increase further bolsters APICORP's financial sustainability and resiliency and its overall financial position.

The Corporation's authorized capital was also increased to $20 billion and subscribed capital to $10 billion, as well as transfer $500 million from the Corporation's general reserves and retained earnings into its issued and fully paid capital.

Dr. Sherif Elsayed Ayoub

Dr Ahmed Ali Attiga

Commenting on the increase in capital, Dr Ahmed Ali Attiga, Chief Executive Officer of APICORP, said: "As we enter the next stage of APICORP's growth story and build upon its long-standing reputation as a trusted financial partner to the Arab energy industry, the capital increase will enable APICORP to fulfil its policy mandate by continuing to deliver sustainable impact-driven development projects and supporting investment activities. I appreciate the shareholders' strong confidence in APICORP and their willingness to support it in its journey to support the growth trajectory in the regional energy and petroleum industries sector."

Dr. Sherif Elsayed Ayoub, Chief Financial Officer of APICORP, said: "The capital increase serves as one of the cornerstones of APICORP's growth plans as per our board-approved risk appetite and five-year corporate strategy. These include increasing our lending and investment capacity to better meet the ever-growing needs of our public and private-sector partners in the energy sector. This remarkable show of support from our member countries shall also cement APICORP's profile as a financially strong, well-capitalized, highly-liquid and consistently profitable MDB."

APICORP recently disclosed its financial results for the year ended 2019, posting strong results including a 17 percent Y-O-Y increase in net recurring income to $112 million, up from USD96 million at year end 2018. APICORP's strong profitability in 2019 was driven by Corporate Banking and Treasury and Capital Markets, whose gross income increased 32 percent and 24 percent Y-O-Y to reach $201 million and $80 million, respectively. — AFP

China fish farmers harvest troubled waters

XIAPU, China: Fishermen like Zhu Chunfu have hauled their living from the seas off the Chinese province of Fujian for generations, but what happens when over-harvesting causes fish stocks to collapse? In the case of coastal Xiapu county, you turn to raising the fish yourself, a shift that has made it one of China's most important aquaculture sites and spawned communities floating at sea.

The water in this area of maze-like bays and coves is covered by a patchwork of hundreds of floating platforms where fishermen live and tend to underwater expanses of nets and cages teeming with sea cucumbers, yellow croakers, seaweed and other marine produce.

"My ancestors were fishing in the sea ages ago, and when there were not enough fish to catch, we started to make a living by aquaculture," Zhu said, standing next to a small hut where he lives for several months of the year with seven others.

Beneath him, swaying in the gentle waves, hang dozens of underwater cages full of sea cucumbers, a squishy, elongated cousin of the starfish that is popular in Chinese cuisine and traditional medicine.

Zhu, who has lived at sea most of his life, says sea cucumber breeders like himself can earn hundreds of thousands of yuan per year. Aquaculture took off in the area in the late 1980s, fuelled in part by the decades-long collapse of yellow croaker stocks.

Troubled waters

Formerly abundant in China's waters, the species' popularity on the Chinese dinner table saw it over-harvested to the point that wild stocks are no longer commercially viable. Today, aquaculture has made China by far the world's largest producer of yellow croaker, with Fujian in the country's south-east accounting for more than 85 percent of national output, according to the UN Food and Agriculture Organization.

Xiapu county is the beating heart of that production, and as a result, communities like the floating village of Dongan have sprung up, including wooden houses complete with kitchens and toilets.

As with everywhere in China, the county was brought to a standstill by the coronavirus epidemic, which essentially shut down the national economy. But at the urging of the area's government, its fishery business was among the first to get back up and running to take advantage of the harvest season, according to local media reports.

XIAPU, China: Fishermen like Zhu Chunfu have hauled their living from the seas off the Chinese province of Fujian for generations, but what happens when over-harvesting causes fish stocks to collapse? — AFP

Work began to resume in February-with the requisite checkpoints set up for taking the temperatures of workers and fish farmers-and the busy spring harvesting season is now in full swing.

Boats hawking supplies wind their way through the farms, and even simple restaurants and hotel lodgings are available. Locals estimate that up to 20,000 people spend all or part of their time out on Xiapu's waters, though it remains to be seen how the coronavirus epidemic will affect that.

Xiapu's way of life is also under threat from pollution. Blocks of buoyant hard foam underpin the platforms, and fragments of the non-biodegradable material litter the waters, as does waste from the floating communities: sewage is released directly into the ocean and pollutants from fish feed foul the water.

An influx of poorer migrants from China's interior, drawn by aquaculture's economic opportunities, have amplified the harmful impacts. In 2018, the local government established new rules to rein in pollution and control the rapid expansion of the farms. "Authorities are tackling the problem at the source but it's too soon to tell the effect," said Guo Shigui, 33, who farmed fish at sea for six years until moving to land two years ago to pursue an e-commerce career.

He still speaks fondly of his time on the water. "I was like a bird in a cage, with limited space to move

COVID-19 upends outsourcing as firms embrace AI

MUMBAI: Coronavirus is permanently shaking up the global outsourcing industry as lockdowns from Bangalore to Manila prompt firms to "reshore" jobs and, with AI, to move further away from needing humans at all. Restrictions on normal activity in these countries and others have created a logistical nightmare for the managers of call centers and other back-office operations for foreign corporations.

Having their staff work from home is difficult because of rules governing the handling of sensitive material such as financial transactions for bank customers from Scotland to San Francisco. Also, many workers in places like India and the Philippines live in crowded housing with poor-quality broadband, while some firms do not have enough equipment like laptops to provide to employees.

"The outsourcing industry doesn't lend itself to working from home," consultant Vivek Sood, author of "Outsourcing 3.0", told AFP. "We are talking about companies which used to ask employees to leave even their pens and pencils outside the office because of security concerns."

'Temporary stay arrangements'

Desperate to stay operational, some firms have resorted to having staff live at their place of work. Vodafone India, for example, says it has "organized temporary stay arrangements at our data center locations, (and) made food and groceries available at critical locations". Similar practices by others have sparked the ire of trade unions.

Mylene Cabalona, president of the Business Process Outsourcing Industry Employees' Network (BIEN), told AFP the union had received reports of some workers "effectively quarantined and locked down in their offices". The Financial Times in early April published photos that it said appeared to show workers sleeping on the floor of a call center in the Philippines, living in what they described as "subhuman" conditions.

Anthony Esguerra, who works at a Manila firm handling data for a Chinese online gaming company, admitted that 80 percent of its operations were disrupted. "The workflow of processing players' requests really slowed down, since our internet access was limited compared to when we were working at the office," he told AFP. — AFP