

Iceland's WOW Air budget carrier collapses, cancels all flights

March 28 2019, by Jeremie Richard



Iceland's Wow Air has cancelled all flights after failing to find investors interested in saving the troubled airline

Iceland's troubled budget carrier WOW Air said it had ceased operations and cancelled all flights on Thursday, stranding thousands of passengers

in the low-cost airline industry's latest collapse.

The closure of WOW Air, which transports more than a third of those travelling to Iceland, comes after buyout talks with rival Icelandair collapsed earlier this week.

"All WOW Air flights have been cancelled. Passengers are advised to check available flights with other airlines," the carrier said in a statement.

"Some airlines may offer flights at a reduced rate, so-called rescue fares, in light of the circumstances. Information on those airlines will be published, when it becomes available."

Iceland's government said it estimated that 4,000 travellers were stranded, including around 1,300 currently in transit.

At Reykjavik airport, hundreds of passengers were left without planes to board as 30 WOW Air flights to Paris, New York and Montreal were cancelled.

Two Portuguese tourists, Cristiana and Nuno Barrocas, were in Iceland as part of a trip around the world and rushed to the airport after hearing the news.

"Our dream is to go around the world but the start of our adventure is turning out worse than expected," the couple told AFP after their [flight](#) from Copenhagen to Reykjavik was delayed on Wednesday.

A 28-year-old Canadian university exchange student in Belgium, Charles Ouellet, was due to fly home to Montreal on a WOW flight via Reykjavik on April 3.

"I'm going to see if I can get refunded," he told AFP.

Almost 10 low-cost airlines collapsed in 2018, including Belgium's VLM Airlines, Denmark's Primera Air and Cyprus' Cobalt Air.

In February, Berlin-based airline Germania cancelled its own flights and filed for bankruptcy, and other budget airlines such as British Flybe have narrowly escaped folding this year.

Fierce competition in Europe has led airlines to slash prices, pushing their [profit margins](#) lower.

Companies have also faced stiff competition from low-cost subsidiaries set up by big operators such as British Airways parent company IAG.

Founded in 2011, WOW Air exploited Iceland's location in the middle of the North Atlantic to offer a low-cost service between Europe and North America as well as tapping into a tourist boom to the volcanic island.

However it had flown into financial trouble in recent years due to heightened competition on transatlantic low-cost flights and rising fuel prices, and had been searching for an investor for months.

Blow to Iceland economy

On Monday WOW said it was in talks to restructure its debt with its creditors after Icelandair ended brief negotiations over buying a stake in the no-frills airline.

WOW Air was left needing \$42 million to save the company, according to the Frettabladid newspaper.

The privately-owned airline had undergone major restructuring after posting a pre-tax loss of almost \$42 million for the first nine months of 2018.

It reduced its fleet from 20 to 11 aircraft, eliminating several destinations, including those to the US, and cutting 111 full-time jobs.

In 2018, WOW Air, which employs 1,000 people, transported 3.5 million passengers.

A report by a governmental work group has warned that a WOW Air bankruptcy would lead to a three percent drop in Iceland's gross domestic product, a fall in the value of the krona and rising inflation.

"I'll never forgive myself for not acting sooner, because it is clear that WOW is an unbelievable airline and that we were going to do bigger and better things," the company's founder and chief executive, Skuli Mogensen, wrote in a letter to staff on Thursday.

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