

# ANALYSIS OF BANKRUPTCY OF DANUBE WINGS AIRLINES

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This article contains basic analysis of bankruptcy of Danube Wings airlines based on analysis of business strategy, selection of routes and the fleet as well as the most common mistakes they made during the existence of the company.

**K e y w o r d s:** Danube Wings, bankruptcy, airline, history of the company

## 1 DANUBE WINGS

Danube Wings is the brand under which operated regional scheduled and non-scheduled air transport company VIP Wings Ltd. Bratislava. It had a registered capital of 140.74 thousands €, its companion was, Slovak Wings, Inc. Bratislava. The company Danube Wings, s.r.o. Bratislava was registered in the Commercial Register of the Slovak Republic in July 2008, had a capital of 6.64 thousands €, her companion was a Slovak Wings a.s. Danube Wings was the fourth airline with home port at Bratislava airport. Danube Wings used two turboprop aircraft produced by France – Italy, ATR - 72 with a capacity of 64-72 seats intended for regional services. The most important route for the company was domestic flight Bratislava - Košice, which stopped flying on 20.11.2013. Subsequently, the company release all of their employees and thus the era of Danube Wings after 5 years expired in December 2013.



Figure 1 Logo of Danube Wings

## 2 ANALYSIS OF BANKRUPTCY OF DANUBE WINGS

### 2.1. Fleet choice

Choice of aircraft to the airline's fleet is a major strategic decision whose consequences are likely to affect the company throughout the existence of the company. The decision is therefore necessary to take great care and with full knowledge of the requirements for the aircraft (network, clients etc.) and their operating parameters.

The selection of ATR 72 is especially effective for flights on shorter distances to flight time exceeding 2 hours. Whereas the Danube wings almost from the beginning of its existence operated flights to more distant destinations such as BTS - BRU question arises why continue shopping ATR 72, they could instead of buying

two ATR 72 buy or lease aircraft designed for medium tracks, such as the Boeing 735. For comparison, when the ATR 72 flight time on the line KSC - BTS is 45 minutes and 38 minutes for Boeing 735, fuel consumption is 475 kg vs. 1300 kg. The ATR 72 is the most 68 seats, so it's 7 kg of fuel per seat. The Boeing 735 is approximately 132 seats, so consumption per seat is 11 kg of fuel, i.e. by 57 % more. However, for example, for the route BTS - BRU is duration at ATR 72 somewhere around 2h10m, which means fuel consumption about 1365 kg, i.e. per seat about 20 kg. The same route will fly a Boeing 735 for 1h15m, burns 2,667 kg, which is also about 20 kg per seat. So it is not 57% more than in the case of BTS - KSC but exactly the same. It's very similar to the calculation of most other costs. Almost double the time needed to tackle the distance of the BTS - BRU cause the ATR 72 will do per day two flights less than 735 Boeing. Competent crew costs, leasing, insurance and maintenance are to allocate up to 6 flights a day instead of 8, such as the Boeing 735. Finally, these higher costs per flight additionally divided among a smaller number of seats (68) and the ATR 72 gets the much higher cost than the seat can produce aircraft of type Boeing 737 or Airbus A320. If Danube Wings wanted to focus on the short but also on medium-haul flights with flight time of more than 2 h (BRU, Bologna, BSL), but did not have enough funds to buy jets like the Boeing 737 or Airbus A320, they could consider, for example, the Dash 8 Q400 aircraft, which is faster and has more seats than the ATR72, that would overcome the same distance faster at a lower cost per seat. Lease on ATR 72 was, however, and is now significantly lower than e.g. by Dash 8 Q400 and ATR experience already at ČSA, which probably contributed to this decision. When renting a Boeing 737 aircraft from which the ČSA, Danube wings flew from Poprad to Manchester, Dublin and London, there were several factors why Danube Wings finally returned back plane to ČSA. Use of this aircraft was very low, only 16 segments per week, with the effective use of this type of aircraft need at least 30 or more segments per week. Although ČSA borrowed Danube Wings aircraft at very favourable conditions, the cost of the seat was so high, that the Danube Wing was almost at a loss since the beginning of the operation of that aircraft. Also, the plane was practically throughout the unused period of operation from Sunday 16.00 to Tuesday 11:00 which meant that the aircraft almost two days a week stood at the airport in Poprad (arrival on TAT was on Sunday, but the departure from TAT on Tuesday), so the costs were increased due to parking fees + accommodation and subsistence for the crew. Despite

the low frequency of flights, Danube Wings for 3 month lease of the aircraft could not fill seating capacity to such an extent to cover the actual cost of operating those routes. There are also questions of marketing and promotion, which also greatly contributed to the failure of those routes. The actual ticket sales and promotion of the newly opened routes to London, Manchester and Dublin began less than a month before the start of the operation, and for effective implementation of the new routes would be more than 3 months before the start of the first flight to be based on ticket sales to create analysis and the necessary steps, for creation of timetable for the successful launch of the route as well as forecasts resale or efficiency of the route. Unfortunately Danube wings with the quantity of missteps could not capitalize this Boeing 737 and could not build on the success of Sky Europe, which is precisely that these routes were able to operate with a relatively high load factors.



Figure 2 ATR 72 of Danube Wings

## 2.2. Selection of routes and other factors



Figure 3 Map of destinations in 2010

Danube Wings initially tried to apply on routes where ATR 72 could reach up to 2 hours. This, however, proved more difficult than first appears. Among the attempts have not been successful were routes to Basel, and domestic flights Bratislava - Poprad, which in those conditions, for example, financial crisis, simply could not work. Danube Wings were in a situation where they could not find the destination after which it would be sufficient demand and which would in reach of their fleet. What also stood out was the starting point after the collapse of Sky Europe. After that, Danube Wings had a chance to change their strategy and to restore at least the most successful routes and take clients who previously flew with Sky Europe. For this purpose rented already mentioned above Boeing 737 from ČSA - based on ACMI, which was deployed on flights from Poprad to London and Dublin and Manchester route was operated except from Poprad from Bratislava. Smaller ATR 72 was also used for the routes from Bratislava and Poprad to Brussels. From Poprad they tried also new routes to Basel and Bologna. None of these routes, however, did not enjoy success. The reason was the lack of preparation Danube wings in this type of operation especially on the commercial and marketing site. There was a lack of distribution network, reservation system, revenue management which could manage ticket prices according to demand. But the choice of the routes itself was largely inappropriate, without any detailed analysis of demand they started to operate route and advertising started only a month before the start. On the flights often flew only a few passengers, whom we would never usually counted smoothly on two hands. Memorial is a flight from Manchester on whose board was only one passenger, the flight has landed in Brussels to pick up another passenger. Professional public could only shake their heads - it would be cheaper for the Danube Wings for the following passengers pay business class flights to Vienna and pick up them with limousines than fly with empty Boeing 737. Losses from this period were counted in the hundreds of thousands per month. Loss by the company during this period generated, said the company in the long term. Debts with the suppliers accumulated to such an extent that, in essence, to the end of its existence repay these debts and finances were lacking elsewhere, such as creating reserves for aircraft maintenance. Just for the results of this period came to an exchange of the headquarters, and their firm job was to stabilize the company and ensure its survival. Danube Wings thus remained only a few routes that were able to operate with its fleet of ATR72. Most of the flight schedules were pretty bad, which reduced the interest of passengers on these flights. For example schedule from Kosice to Bratislava was ineligible for business travellers who needed to get to Bratislava on time but morning arrival in Bratislava was about at 10 o'clock in the morning. In summer flights to Croatia again missed flights on other days than Saturday, which would allow passengers a better combination of the flights. Later they continued to fly some attempts to start a new regular route. For

example, there was incomprehensible route Bratislava - Venice, this line could not be gripped by the Sky Europe. This route ran Danube Wings in collaboration with an Italian company Mega Ride Air but for very little interest in the operation was terminated after 3 months. Just as bad if not worse was the route from Ostrava to Vienna. The route was again started quickly, without being sufficiently prepared commercially, selling tickets to the route started just a few weeks before its first flight, these flights could not be booked in global distribution systems, Danube Wings did not have interline or code-share with any network carrier in Vienna. Nevertheless, Danube Wings tried to double the seating capacity to fly route that was not successful by Job Air with smaller Saab 340. The result was that the occupation of the route was so low that sometimes they sent small business jets from fleet of VR JET. It was also a memorable flight from Vienna to Ostrava where just under six purchased sanctuaries have decided Danube Wings ATR 72 instead send a 6 seat biz jet, but only with four seats for passengers and then two passengers for lack of capacity could not fly away. As fast as the line started operation, the operation was a few months suspended and eventually cancelled. Activities of the company were reduced to minimum. Danube Wings did not create reserves for the maintenance of the aircrafts and two ATR 72 needed necessary C - check. Without this maintenance, aircrafts had to remain on the ground, led to their gradual cannibalisation, in the form of removal of functional parts needed for the remaining two aircraft. They provided a single route of traffic from Bratislava to Kosice, respectively various ACMI leases or charter flights. Company gradually running out of Money, and suppliers out of patience. In the summer of 2013, the company attempted to sell two ATR 72 but unsuccessfully, so that led to the dismissal of employees. In October 2013, company lost reservation system due to outstanding invoices, which heralded the end of the route BTS-KSC. As an employee of the airport I witnessed as passenger numbers on the route Košice - Bratislava rapidly declined mainly due to the absence of the reservation system, since the only option to purchase tickets in person at the office SKYPORT at the airport. We also often in October after all passengers were boarded, were waiting for the last moment and we did not know whether the plane actually will fly off because of unpaid invoices so they had to wait for permission to take off. Often thus we were waiting for the captain of the aircraft, which was prior to departure still pay outstanding invoices in the accounting department as the Košice airport cancelled Danube Wings payment option on the maturity of previous experiences with outstanding invoices. Finally came the C-CHECK for the remaining two aircraft for which, once again, were not finance. The company thus acceded to only one possible step - close operations and the release of the remaining employees. Danube Wings era thus ended after 5 years. The fate of the 4 aircraft is uncertain – they have their age and the fact that they have to go through costly maintenance, will not be easy for them to find a buyer.

### 3 CONCLUSIONS

Also the case Danube wings showed, that operate the airline is not easy. Particularly regional companies currently have for their existence almost fought. They are under considerable pressure from normal or low-cost airlines, which often cannot compete in any product or prices. Catchment area from which they fly often are not able to generate sufficient demand or yield to operate regional flights. If you add errors of management or owners, is the end of the company coming quickly.

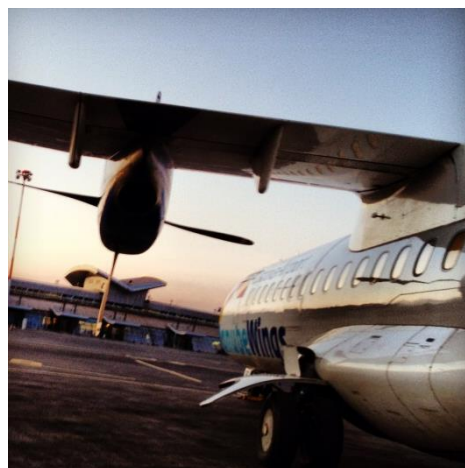


Figure 4 ATR 72 at Košice airport

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