

= Color Air =

Color Air AS was the first Norwegian low @-@ cost airline . It operated from Oslo Airport , Gardermoen in 1998 and 1999 with a fleet of three Boeing 737 @-@ 300 aircraft . Color Air was a brand extension of Color Line , which shared a common owner in the Olav Nils Sunde @-@ controlled Color Group . The airline operated five daily round trips from Oslo to Trondheim and Bergen , four to Ålesund and one to London , in addition to a weekly trip to Alicante . Color Air pioneered the low @-@ cost business model in Norway , with a denser seating , no frills and lack of a frequent flyer program . Tickets were sold only via the Internet , by telephone or in supermarkets ; when bought from travel agents , there was a NOK 200 surcharge .

The airline was established in response to the opening of Gardermoen , which would allow any airline sufficient landing slots to compete with the incumbents Braathens and Scandinavian Airlines (SAS) . Color Air commenced operations on 1 August 1998 , with the two other airlines moving from Oslo Airport , Fornebu on 8 October . Following the airline 's establishment , a price war broke out between it and the two incumbents . All three increased capacity and dropped prices , giving a 40 % increase in seats on the dominant domestic routes and seat loads of between 30 and 50 percent . After thirteen months and NOK 400 million in losses , Color Air gave up and filed for bankruptcy . The price war cost the three airlines more than NOK 3 billion , and ultimately forced the other two to merge .

= = Service = =

All flights were based at Oslo Airport , Gardermoen . For the summer routes of 1999 , Color Air operated four daily round trips to Ålesund Airport , Vigra , and five daily round trips to Bergen Airport , Flesland and Trondheim Airport , Værnes . In addition , there was a single daily round trip to London Stansted Airport , and a weekly round trip to Alicante Airport . From each domestic destination , flights were made to correspond with the Color Line cruiseferries departing from Oslo to Kiel , Germany , and Hirtshals , Denmark .

Color Air had only one seating class , offered no on @-@ board beverages and had no frequent flyer program or lounges . Color Air had an agreement for tickets to be sold at the Rimi supermarkets , as well as by phone and Internet . If bought at a travel agency , there was a NOK 200 surcharge . This was because Color Air was not linked to the Amadeus booking system , owing to the costs associated with membership .

= = Fleet = =

The airline had three Boeing 737 @-@ 300 aircraft , built in 1994 . Originally fitted with 136 seats each , they were later reduced to 124 , and then increased to 142 . The aircraft were owned by International Lease Finance Corporation and General Electric Capital , and cost NOK 2 @. @ 25 million per month to lease , plus additional costs per hour . They were British @-@ registered and operated by Air Foyle HeavyLift , while maintenance was performed by British Midland . Both companies are based in the United Kingdom . Ground handling was carried out by SAS Ground Services in Trondheim , Bergen and Ålesund , and by Servisair in Oslo .

= = Destinations = =

= = History = =

= = = Background = = =

With Norway joining the European Economic Area , the Norwegian airline market was deregulated

from 1 April 1994 . While airlines formerly needed a concession from the Ministry of Transport to fly a particular route , they could now compete freely on any domestic or international routes . Previously the two major airlines Scandinavian Airlines System (SAS) and Braathens SAFE each had their own routes , but from 1994 both established themselves on several of the main @-@ haul routes .

With increased traffic , there soon became a capacity problem at Oslo Airport , Fornebu , the main hub for both SAS and Braathens . During the peak times during the morning and afternoon rush , there were no excess slots for new airlines . To compensate , the Norwegian Airport Administration was building a new main airport for Eastern Norway , to be located at Gardermoen . A larger terminal and two runways would give ample room for expansion , and entry of new airlines . The new airport opened on 8 October 1998 .

= = = Establishment = = =

In January 1998 , Olav Nils Sunde announced that he would establish a low @-@ cost airline following the opening of the new airport . The company would be led by CEO Morten Andersen , who previously had been CEO of Norway Airlines , and the lawyer Stein Øxseth . Sunde would own 92 % of the company through his shipping company Larvik Scandi Line , while Andersen and Øxseth would own 4 % each . The company would be a brand extension of Sunde 's shipping company Color Line . The company aimed at a 15 ? 20 % market share , with 1 @.@ 4 million passengers annually . It was the first low @-@ cost airline in Norway . The company launched tickets down to NOK 500 each way , and sold cheap tickets without demanding that the traveler be away during a weekend . Color Air made an agreement with the British airline Air Foyle HeavyLift to operate a fleet of Boeing 737 @-@ 300 aircraft .

Following the announcement to establish Color Air , Braathens SAFE chose to rebrand itself . They launched a new livery , and changed their name to just Braathens . Starting with the company 's first Boeing 737 @-@ 700 delivered on 23 March , Braathens introduced the business class , Braathens Best , that would take up 70 % of the cabin , and the economy class Braathens Back , that would be at the back of the cabin . From 1 April , a new NOK 65 tax was introduced on all domestic flights . Braathens and SAS decided to divide the cross @-@ subsidize the taxes between their routes , something Color Air was not able to do . This was because the tax was only valid for routes within Southern Norway ; Braathens and SAS could therefore tacitly collude to increase the prices to Northern Norway , and thereby subsidize their routes in Southern Norway . Color Air , on the other hand , would be forced to put the full tax on all its departures . While the government had no way to hinder the incumbents from doing this , Gudmund Restad , Minister of Finance from the Centre Party , encouraged the airlines to not " cheat " , and follow the intentions of the law , even if he admitted that there was nothing the government could do to hinder the airlines from cross @-@ subsidizing .

The contract to lease two Boeing 737 @-@ 300 aircraft from 1994 was made with International Lease Finance Corporation in May . Maintenance was outsourced to a British company , after Braathens , which also operated 737 Classic aircraft , had denied Color Air the use of its simulators and technical workshops . For the start @-@ up , Color Air hired 18 pilots , 40 flight attendants and 40 ground employees , in addition to the administration . The company was criticized for only hiring women flight attendants . Braathens operated with an internal pension age of 58 years for its pilots , while SAS had a 60 @-@ year age limit . Due to EEA rules , the judicial age limit was 65 years , so Color Air was able to hire retired SAS and Braathens pilots . These could be paid only NOK 500 @.@ 000 in annual wage , since they received a full pension from their old employers on top of it . The Norwegian Airline Pilots Association stated that this was morally reprehensible , but Color Air was supported by the Norwegian Civil Aviation Authority , medical experts , and SAS , who all claimed that there were no medical reasons to not let people in their 60s operate aircraft .

= = = Start of operation = = =

The first aircraft was delivered on 1 August 1998 . While the new airport at Gardermoen would not officially open until 8 October , when also SAS and Braathens would move to the airport , Color Air started flights from Gardermoen to Ålesund Airport , Vigra on 6 August . Flights to Trondheim Airport , Værnes commenced on 8 August , while the Bergen Airport , Flesland @-@ route started 15 August . After a week , very few passengers were traveling with Color Air , with two at the least and twenty @-@ four at the most per departure . Color Air was losing NOK 650 @,@ 000 per week of operation .

The pricing scheme was based on tickets for NOK 399 , 499 , 599 and 699 , plus NOK 71 in taxes . At least ten tickets were available at the lowest price per departure , and the first to order were granted the cheapest tickets . Tickets had no restrictions on cancellation , and were not subject to restrictions on return dates .

With the opening of Gardermoen , both Braathens and SAS increased the number of flights . Braathens established a route to Haugesund , while SAS started routes to Ålesund and Kristiansand . The number of daily trips from Oslo for SAS increased from 59 to over 80 . In total , the three companies increased their daily round trip from 138 to 200 , and the daily seat capacity from 18 @,@ 000 to 26 @,@ 000 . Ålesund had the largest increase , from seven daily round trips only with Braathens , to seventeen offered by all three companies . On the route to Trondheim , the number of departures had increased from 27 to 39 , with Braathens operating 19 , SAS 16 and Color Air 5 . The increase in seats was profitable for the state ; the new seat tax ? which was also applicable to unsold seats ? received an annual revenue increase of NOK 110 million .

The first plane planned to leave Gardermoen was an SAS aircraft . However , since it was 20 minutes delayed , a Color Air aircraft was instead the first to take off , at 06 : 52 on 8 August 1998 . By the end of October , the airline had between 40 and 50 % cabin load , and the company stated that it needed " slightly more than 50 % " to make a profit . It also announced that it would receive three more aircraft to supplement the two it had in service . Instead of starting a route to Stavanger , the company instead chose to open a route to London Stansted Airport starting 1 December . The airline stated that it did not have sufficient aircraft to make more than two round trips to Stavanger , and that this would be too little to be a credible operator on the route .

= = = Price war = = =

In November , Color Air changed the conditions tied to purchase of tickets . Reduced price tickets were only available seven days or more before departure , and only full @-@ price tickets could be refunded . At the same time , the maximum price increased to NOK 870 , though all ticket prices were changed to include all taxes , after requirements from the authorities . A new , cheapest ticket was introduced at NOK 345 , including taxes . After the winter settled , the front between Color Air and Braathens grew colder following Braathens ' denying Color Air to use their deicing equipment at Ålesund , resulting in the plane being stuck at the airport .

In November , Color Air transported 102 @,@ 544 passengers . From mid @-@ December , the company had a time @-@ limited offer of tickets for NOK 200 .

In September , the ownership of Color Air was rearranged . Sunde reallocated his ownership and created Color Group , that would wholly own both Color Line , Scandi Line , Larvik Line and Color Air . Sunde retained a 77 % ownership in the corporation through Larvik Scandi Line . The group was subsequently listed on the Oslo Stock Exchange . In the general meeting held in December , two of the largest owners of Color Line , Vital Forsikring and the Government Pension Fund of Norway , both were opposed to the merger , as they felt the purchased companies were overvalued . Color Air was at the time valued at NOK 157 million . After a long process between the minority shareholders and Color Group , the valuation was adjusted to NOK 108 million . In May , Olav Nils Sunde bought the entire Color Group , and delisted it from the stock exchange following the conflict with the other shareholders .

By the end of 1998 , it became clear that Braathens had increased capacity by 20 % , but only achieved a 5 @.@ 2 % ridership increase after the opening of Gardermoen . Similar numbers were applicable for SAS . The business market , in particular the large corporations with divisions in

several large cities , were demanding high frequencies on the routes . Color Air could get by with fewer departures because they mainly targeted the leisure segment . In particular , the routes from Oslo to Ålesund and Kristiansand had a very low seat utilization ; to Ålesund there were 1 @. @ 2 million seats annually , but only 345 @, @ 000 passengers , giving a 29 % cabin load . Accumulated cabin load for Color Air was 32 % , with 116 @, @ 176 passengers . In the course of the last quarter of 1998 , Color Air lost NOK 91 million , or NOK 1 million each day . For the whole year , Color Air had an average ticket price of NOK 453 , giving a revenue of NOK 57 million . NOK 45 million was used on taxes , giving NOK 12 million to cover operating costs of NOK 209 million . The company lost NOK 197 million in 1998 .

In February 1999 , Braathens announced that they would re @-@ register all their planes in Sweden to avoid having to pay value added tax on catering and fuel . Color Air and SAS , who had their planes registered abroad , had gotten away without paying the taxes , since it only applied to Norway @-@ registered planes . Following this announcement , the Ministry of Finance changed the rules so also foreign @-@ owned planes had to pay the tax . The change in rules cost Color Air NOK 10 million per plane per year . From 1 July 1999 , the seat tax was removed , but replaced by an equivalent tax for each passenger . This made it cheaper to fly an empty plane , but more expensive to fly a full one . Color Air had reduced the number of seats in each plane to avoid the seat tax , but increased them again after the tax was removed .

In the first quarter of 1999 , Color Air transported 100 @, @ 472 passengers . This gave a cabin load of 35 % , of which the Trondheim route had 40 % and the Ålesund route 32 % . This gave the airline a deficit of NOK 92 million . SAS lost NOK 22 million , while Braathens had lost NOK 300 million . In comparison , both Braathens and SAS Norway made a NOK 320 million profit in the first quarter of 1998 .

On 1 April , Color Air won a two @-@ year contract with Norway Post for all air mail from Oslo to Trondheim and Ålesund . On 10 April , Color Air started a weekly round trip each Saturday to Alicante Airport in Spain . On 12 April , Ove Johan Solem took over as CEO of Color Air . In May , the company increased the cabin load from 38 to 48 % , with ridership increasing from 33 @, @ 978 to 44 @, @ 081 . These numbers also included a change in the number of seats per plane . The following month , 46 @, @ 777 people traveled with the airline . By the end of July , Color Air had lost NOK 350 million . However , in July , Color Air had a cabin load exceeding 50 % , the level Sunde had stated was necessary to make a profit .

In September , SAS announced that if Braathens took the first step to reduce capacity between Bergen and Oslo , they would follow immediately to reduce the overcapacity in the combined 37 daily departures . However , Braathens was not willing to reduce . On 15 September , Color Air announced that they would start flying five round trips from Oslo to Stavanger Airport , Sola on 1 October , following the delivery of their fourth aircraft . At the same time , the airline would reduce the number of round trips to Ålesund from four to two . The load factor in August was 43 % , and management stated that 50 % load would not be sufficient to make money . In particular , the company stated that while aircraft were full during the weekends , the company was not succeeding at garnering the necessary business ridership to fill up the planes during the weekdays . To become more attractive , the company changed its fares to two classes : Business Full Flex and Saver No Flex . The company also stated that to attract more business travelers , it was looking for an international partner to conduct codesharing on international routes , and perhaps also introduce a frequent flyer program alone or in cooperation with the partner .

= = = Bankruptcy = = =

On 27 September 1999 , Color Air terminated all flights and ceased operations . Sunde stated that he regretted having started the airline , and said that he had overestimated the synergies between his ferry company and the airline , but also underestimated the price elasticity for business travel . In particular , the frequent flyer programs that SAS and Braathens had made it difficult to convince corporate travelers to switch to Color Air . Sunde believed that the company would continue to lose money in 2000 . 220 employees lost their jobs , while Color Group estimated it lost NOK 400 million

on the airline . There were discussions concerning cooperation with , or a take @-@ over by , British Airways , but these discussions did not lead to an agreement . In total , Color Air flew 430 @,@ 000 passengers , effectively subsidizing each passenger with almost NOK 1000 . The company was not declared bankrupt , as Sunde wanted to insure his good reputation by paying everyone he owed money . While this was about NOK 10 million in airport fees and smaller sums to other parties , the largest creditors were the two aircraft leasing companies , to whom NOK 270 million was owed for the rest of the rental period . The 20 @,@ 000 people who had tickets with Color Air were all rebooked onto Braathens flights . After NOK 170 million in debt was registered by the company , and assets were only worth NOK 17 million , Color Air was declared bankrupt on 10 November 1999 .

On the day of the termination , the stock price of Braathens increased by 16 % , while SAS 's increased 3 % . Immediately following the bankruptcy , the two airlines increased their prices . Subsequently , Braathens increased their ticket price by 15 % , but stated that this had nothing to do with the elimination of competition , since the price increase was not on any Oslo routes . In November , Braathens started to remove routes , and announced they would increase prices by 20 % . They also reintroduced the Flag of Norway on the tailplane that since the rebranding had been replaced by a silver , abstract wing . Both Braathens and SAS lost more than NOK 1 billion in 1999 , and the total cost of the price war between the three airlines exceeded NOK 3 billion .