KIWI REGIONAL AIRLINES PLANS TO CROWDFUND $2 MILLION FOR NEW PLANE

News / Airlines, Finance

Kiwi Regional Airlines plans to raise up to $2 million through crowdfunding to buy a second aircraft.

The new aircraft would be a Saab 340 QC used for passenger and freight charters and as a backup for maintenance of its existing aircraft Saab 340A.

Last month the Hamilton airline cancelled flights after grounding the 34-seater aircraft for unscheduled maintenance.

While the Saab was out of action Kiwi Regional called in Air Chathams to run the service using its 50-seat Convair 580.

The planned new aircraft would not be used to add capacity or new destinations.

Kiwi Regional launched in November and flies Hamilton, Nelson, Dunedin, Christchurch and Tauranga routes.

It cancelled a Dunedin-Queenstown service less than a month after launching.

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Crowdfunding requires members of the public to donate money towards a project or business.

Some platforms allow pledgers to claim a stake in the project or company if the campaign successfully reaches its funding target.

Kiwi Regional chief executive Ewan Wilson said the fundraiser would be an equity crowdfunding campaign, meaning if the campaign reaches its target, pledgers would become shareholders.

No crowdfunding platform had been chosen.

"I find the idea of a community of New Zealand shareholders being a part of Kiwi Regional Airlines quite exciting," Wilson said.

There are eight crowdfunding platforms in New Zealand licensed by the Financial Markets Authority to let businesses sell shares to the public through their website

Wilson said having only one aircraft meant maintenance could be costly.

"When the aircraft breaks down we have to hire another one to be able to provide good customer service, that can be an expensive process to have only one airplane."

Wilson said a decision would be made in the next couple of weeks whether the airline would crowdfund.

If it did go ahead an initial target of $1m would be likely to be set. If the $2m needed for a new plane was not reached the airline would ask existing shareholders for more investment, he said.

Existing shareholder investment was $1.7m, he said.

Aviation commentator Irene King said asking the public to raise capital was an innovative source of funding, but indicated the airline did not have much capital to draw on.

"Starting up an airline you've got to be prepared to lose a lot of money and even then it's pretty marginal whether you'll make any," King said.

Capital reserves were absolutely critical for new entrant airlines.

"Traditional sources of investment are very gun shy of airlines, particularly startup airlines because their history is that they tend to go broke more often than they succeed."

Vehicle importer and retailer 2 Cheap Cars originally owned almost a quarter of the airline but that was diluted as Kiwi Regional issued more shares.

2 Cheap Cars sold its remaining 10.4 per cent share in the airline to Andrew and Anne King of Hamilton.

King's investments include Kings Finance and Kings Cars. He is not a Kiwi Regional director or part of the airline's management.

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