

Creditors face \$1.8bn Ansett black hole

Adam Shand

Ansett creditors owed \$1.9 billion from the collapse of the airline face a much lower-than-expected return. But employees owed in total \$625 million will be paid in full, according to the company's administrators.

The proposed return of only 5¢ in the dollar compares with an estimate last November by co-administrator Mr Mark Menthia that the payout could be as high as 16¢, depending on the realisation of global aviation assets.

But the administrators admitted yesterday that there was likely to be only \$91 million for unsecured creditors, led by ANZ and National Australia Bank, and key suppliers.

The details come ahead of a crucial creditors meeting scheduled for January 29 that will vote on whether to accept a \$3 billion rescue plan from the Tesna syndicate led by Melbourne businessmen Mr Lindsay Fox and Mr Solomon Lew.

If creditors vote for the Tesna proposal, the new-look Ansett will begin its ambitious plan to take on a strengthened Qantas and the no-frills Virgin Blue.

Releasing the first creditors report

'Ansett requires at least 25 per cent market share to survive in a three-cornered duel with Qantas and Virgin Blue.'

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yesterday in Melbourne, administrator Mr Mark Korda of Andersen said he was unable to say if the final payout would rise above 5¢.

"It could possibly be more but it's early days yet," he said.

The administrators said that if the sale to the syndicate, which they have recommended, was not completed there would be no return to creditors and there would be a shortfall in meeting employee entitlements.

The final amount of the dividend would depend on "the amount realised for the aircraft fleet and the final value of the total unsecured creditors", the report said.

It also revealed that Ansett owed \$630 million in lease agreements while wind-down costs and the management of leases was estimated at \$75 million. Ansett has also recorded \$25 million in trading losses while under administration, with valuation, consulting, legal matters, administrator fees and expenses costing \$55 million.

The managing director of unsecured creditor Eat Me Catering, Mr Oshry Mast, yesterday welcomed the proposed payout.

"We thought we weren't going to get anything," Mr Mast said.

He and partner Mr Tony Kingston had provided sushi for Ansett International flights through Gate Gourmet and said they would again be supplying Ansett with food. "We're going back to work for Ansett on February 1," he said.

The administrators said employee entitlements totalling \$625 million would be covered from the realisation of Ansett's assets and a Federal Government guarantee of \$195 million. The total amount owed to workers was \$730 million. However, Tesna will take on \$244

million of entitlements through the employment of 4,000 workers. Several other adjustments will reduce it by another \$221 million to a total of \$625 million for more than 8,000 retrenched staff.

Ansett's bankers are owed \$167 million and trade creditors \$300 million, and the liability of Ansett's loyalty program, Global Rewards, is listed at \$140 million.

The administrators revealed that the cost of their services had topped \$10 million, despite charging 35 per cent less than normal fees.

Ansett has been providing 62 flights a day, or 9,000 seats, between mainland capital cities at an estimated cost of \$4 million a week and this will be expanded under Tesna's restructured operations, which will include new aircraft flying to all capitals after February 1.

Meanwhile, the ACTU was meeting with Tesna in Melbourne last night to finalise security for the \$244 million in entitlements being transferred to Ansett Mark II.

The ACTU is pressing Ansett to fully secure the entitlements in the event of future trading difficulties. The unions want a first-ranking charge over some Ansett assets while asking Tesna to buy an insurance bond to cover any shortfall.

ACTU advocate Mr Richard Watts said he was confident that unions would "have gilt-edged security" by next week.

The meeting follows the ratification in the Industrial Relations Commission of a profit-sharing agreement between Tesna and its unions this week.

The administrators said the Tesna offer was superior to Lang Corporation's expression of interest as Ansett would save \$244 million in employee entitlements, compared with just \$122 million.

Meanwhile, AAP reports that Federal Labor has said it will seek laws to go behind the corporate veil and recover workers' entitlements in the event of a company failure.

Opposition workplace relations spokesman Mr Robert McClelland says the revelation that workers at Hillgrove Gold in Armidale were owed as much as \$3.5 million in entitlements demonstrated the need for reform.

Ninety sacked workers will receive payments from the Federal Government's employee payout scheme despite the fact the parent company of the foreign firm earned \$200 million last year.

HANDOUTS

Ansett's main creditors (\$m)

Suppliers	300
Revenue in advance	270
Banks	167
Frequent flyers	140
Aircraft creditors	775
Total 1977	
Others	325

Source: Ansett's administrators' report to creditors