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Lew, Fox budget for $120m loss

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KEY POINTS

- Tesna is understood to be paying $270m for a range of Ansett assets.
- Ansett would break even in year two and make $50m the next year.

Melbourne businessmen Mr Lindsay Fox and Mr Solomon Lew are budgeting to lose up to $120 million in the first year of operating a new-look Ansett, but expect to turn a $50 million profit in the third year.

The details of the bid came as Ansett's administrators prepared to meet the Deputy Prime Minister, Mr John Anderson – and possibly the Prime Minister, Mr John Howard – in Sydney today to press for Government support for the new airline.

Mr Fox and Mr Lew will present their proposal, which they initially tagged "Project Biggles" before naming their syndicate Tesna, in another meeting with Mr Anderson tomorrow before a committee of creditors meets on Thursday to evaluate the proposal.

Mr Howard ruled out a capital injection but indicated the Government might be prepared to provide limited assistance.

"It's a bad thing for Qantas to have a monopoly but we're not going to give $600 million to anybody to run an airline, we're really not," he said. "Either way we don't have that sort of money. If you gave it to Ansett there would be a queue a mile long."

He said the Government would have to be "satisfied that the industrial relations arrangements proposed for the future are realistic".

Mr Fox and Mr Lew are understood to be paying $270 million cash for a range of Ansett assets, including the terminals and maintenance facilities.

They have also arranged a $400 million working capital reserve to sustain the airline through its first two years of operation.

The deal would be partly funded by a debt facility with ANZ, understood to be secured against terminals.

The pair had hoped to convince Singapore Airlines to operate the airline and take 25 per cent, but sources said Singapore had remained cool and the men were talking to other potential operators.

Mr Fox and Mr Lew will also take over about $300 million in entitlements owing to the 4,000 staff they intend to employ, although they may seek a Government guarantee over part of those entitlements.

It is understood they are budgeting to lose $120 million in the first year, to reach close to break-even in year two and to make a $50 million profit in the third year. They plan to consider a partial float within three to five years.

But the deal still depends on the conversion of a $195 million Government loan to a grant and other financial and non-financial support.

They are expected to ask the Government to limit new capacity Qantas and Virgin Blue propose to introduce amid fears of over-capacity in the industry, but sources say that could be difficult to achieve.