

Ansett wins key creditor backing

Simon Evans

The Tesna consortium last night secured union backing in principle for a restructured Ansett, paving the way for creditors to ratify the sale of the airline today and the Federal Government to fast-track approvals to allow a national service to operate by the end of the week.

Sources involved in the negotiations said Tesna representatives and the ACTU ended their discussions last night and would resume this morning. They will finalise the documentation for an agreement to guarantee \$224 million in worker entitlements that would also see unions voting for the \$3 billion Tesna package at today's creditors' meeting in Melbourne.

But the Ansett administrators, Mr Mark Mentha and Mr Mark Korda, are facing severe criticism from unsecured creditors owed \$1.9 billion and facing a payout of not more than 5c in the dollar.

There will also be a backlash from Ansett's 2.5 million frequent flyers who have had only \$140 million in value ascribed to 67 billion points.

Mr Korda said yesterday the estimated return to creditors, including banks that are owed a combined \$167 million, was "holding firm", but would depend on the length of time it took to sell assets and the state of the second-hand plane market.

Approval of the Tesna deal would trigger a fresh round of discounting in the domestic aviation sector as the new Ansett tries to wrest market share from dominant player Qantas and discount operator Virgin Blue.

Analysts predict that either Ansett or Virgin Blue will have folded within 12 months, with the result being a possible merger between the two

smaller players and a return to a duopoly where air fares will gradually edge back up.

The Tesna syndicate of Mr Lindsay Fox, Mr Solomon Lew and United States investors Mr David Bonderman and Mr Bill Franke has made strong progress in satisfying regulatory conditions. A Civil Aviation Safety Authority spokesman, Mr Peter Gibson, said yesterday the transfer of the air operator's certificate to the new owners was likely to happen by Thursday midnight.

A meeting yesterday morning in Melbourne between the two parties confirmed this, he said.

This came as Qantas staff were warned in an internal memo to lift their standards or risk losing business to a revived Ansett.

The Prime Minister, Mr John Howard, said the \$10 levy on domestic air tickets would stay in place, and if the Federal Government over-collected from it, the funds would go to the tourism industry.

He said the Government would not make a profit from the levy, which would be removed only when the Government was satisfied its exposure of \$625 million-plus was fully covered. The Government has provided the funds to help cover the entitlements of more than 8,000 retrenched Ansett workers.

The global aviation downturn has resulted in some observers regarding the administrators' estimate of being able to fetch \$930 million from its fleet of planes as being too bullish.

Australian Council of Trade Union representatives were still locked in negotiations with Tesna last night, in a meeting that began at 6pm, but an ACTU spokesman said

TAKING FLIGHT

CREDITORS

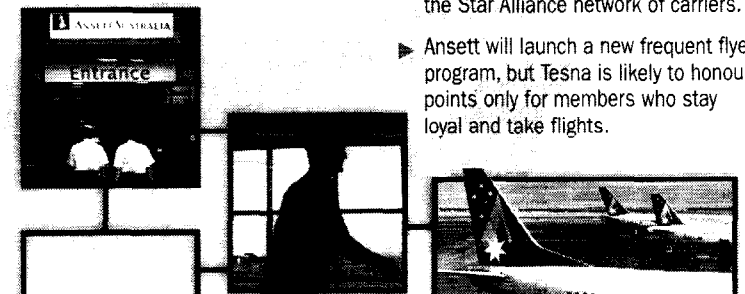
- ▶ About 3 million creditors are owed more than \$3.4 billion.
- ▶ A \$140 million value has been put on points owed to an estimated 2.7 million frequent fliers.
- ▶ The ACTU represents the most powerful bloc of creditors, Ansett's 4,000 new workers who are owed \$240 million in entitlements.
- ▶ Some creditors, like Diners Club, plan to call for a poll of votes, forcing the administrators to recognise the extent of their proxy votes and their credit value.
- ▶ The Tesna deal will need 50 per cent of the votes – based both on numbers and their dollar value – to be approved at today's meeting.
- ▶ Votes will be counted on a show of hands based on one person, one vote.

THE NEW MANAGEMENT

- ▶ The Tesna syndicate, a team headed by businessmen Solomon Lew and Lindsay Fox, and a body of American aviation investors, will take control of Ansett if creditors approve the deal today.
- ▶ Former BMI British Midland chief operating officer Mr James Hogan has been appointed chief executive.
- ▶ Mr Mark Rindfleisch, a 27-year Ansett veteran, has been appointed executive general manager, operations.

SERVICES

- ▶ The new Ansett will fly to only five mainland cities with eight routes from Friday.
- ▶ Ansett will initially fly between Sydney, Melbourne, Brisbane, Adelaide, Perth, but is considering adding Canberra.
- ▶ Talks are continuing with Sydney Airport about assigning Ansett's 99-year lease to the new owners.
- ▶ In-flight meals will be re-introduced immediately, along with the expected resumption of the airline's links with the Star Alliance network of carriers.
- ▶ Ansett will launch a new frequent flyer program, but Tesna is likely to honour points only for members who stay loyal and take flights.



it was likely an agreement would be signed before today's creditors' meeting. The ACTU is pushing for a guarantee on \$244 million of entitlements connected to re-hired Ansett workers, to safeguard against new financial difficulties a restructured Ansett might encounter.

Tesna also needs the Sydney Airport Corporation to assign the lease for the Sydney airport domestic terminal to enable it to start operating from February 1. A spokesman for the corporation said yesterday the airport had put forward a proposal for an interim arrangement for Tesna to allow it

to start flying without disruption.

Mr Korda said that if there was slippage in the handover date because of red tape, the administrators would continue operating the airline until all paperwork was finalised.

The creditors' meeting starts at 3pm at the Vodafone Arena in Melbourne, which holds 9,000 people and was in use for the past two weeks as a key stadium for the Australian Open tennis.

The meeting is also being webcast on the internet.

Mr Korda said the administrators believed it was in the interests of

creditors to accept the Tesna deal, "but ultimately it's the creditors' decision".

Diners Club, which has been collecting proxy votes on behalf of its members, has been unhappy about the prospect of the sale being decided on a "show of hands" vote from those present, which diminishes the clout of proxies.

Mr Korda said a show of hands was "relatively simple", but if the creditors wanted a poll to see if a change in the way the voting was conducted was warranted, "then that's their right and we'll do a poll".