

Malev liquidation begins

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16/02/2012

The liquidation of Hungarian flag carrier Malev began on Monday February 14. The airline's assets will be sold to indemnify creditors and the carrier's entire staff of 1,060 will be made redundant.

Malev stopped operating on February 3 after two of its aircraft were seized by airport authorities in Dublin and Tel Aviv. Service providers lost faith in the airline's ability to meet payments after the EU Commission ordered Malev to pay back almost Eur 300 million in illegal state subsidies to the Hungarian government in January.

Over the next two months, Tamas Pergel, Malev's chief financial officer, has the responsibility of closing the balance sheet, finalizing the results for 2011 and taking a stock count of the airline.

Fleet returned to lessors

Malev operated a fleet of 18 Boeing 737NGs leased mostly from International Lease Finance Corporation (ILFC) and four Q400s leased from Scandinavian Airlines (SAS).

ILFC has repossessed all of its 17 737NGs by flying them to Shannon airport in Ireland, apart from two aircraft which are grounded in Tel Aviv and Dublin. One aircraft is still in Hungary on a C check. This aircraft will be returned to ILFC on February 17. Pergel says he assumes there are no plans to return the repossessed 737NGs to Hungary.

The 737NG in Tel Aviv is still grounded. Malev owes money to Tel Aviv airport, but the airline is not allowed to pay because it has been granted a special creditor-protected status by the Hungarian government.

Two of the Q400s leased from SAS have been redelivered to the Scandinavian carrier. A third Q400 is having an engine overhaul, and fourth is on a C check in Hungary.

Creditors

The Hungarian government, which owns 95% of the Malev, will bear most of the cost of the airline's failure. Russia's state development bank, Vnesheconombank has a less than 5% stake in Malev. Malev also has an outstanding loan of Eur 120 million (\$156 million) with the Russian bank.

Pergel says under normal circumstances Vnesheconombank would have no rights in a bankruptcy situation - both the loan and the bank's stake should be written off. However, he says the result might be settled diplomatically between Hungary and Russia.

New Hungarian carrier

While there is no future for Malev, Pergel does not rule out a new, much smaller carrier in Hungary.

"Whizzair and Ryanair were quick to react after Malev stopped operations by announcing more capacity and routes from Budapest, so the market for any Malev successor is very limited," says Pergel.

On the same day Malev was grounded, Ryanair said that it would open up 31 new routes from Budapest Airport from February 17, employing four new 737-800s. The Irish low-cost-carrier said it hoped to capture two million passengers a year from its Budapest operation.

Malev captured about 3 million to 3.5 million passengers a year, and any new airline might reach about 1 million to 1.5 million, according to Pergel. A new airline might cover Eastern Europe and some Mediterranean destinations with a capacity of 10 to 12 aircraft, he says.

Many institutions could fund a new airline, but it would take at least Eur 50 million to 100 million to start again from scratch, says Pergel.

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