

Mexicana works out pacts with creditors

By Michael Fabey
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Mexicana said it reached agreements to satisfy the concerns of all major creditors who have sought extra protection in U.S. Bankruptcy Court except those of its chief creditor, Banco Mercantil del Norte (Banorte).

Banorte provided the airline a \$123.6 million loan as collateral to help secure U.S. accounts for processing credit card ticket purchases.

The airline noted in documents filed this week with the bankruptcy court that it had returned aircraft to leasing companies and included language to guarantee passenger facility charge collection payments for U.S. airports and government agencies.

However, the airline said it could reach no agreement with Banorte. In previous court filings, Banorte had alleged that Mexicana was playing the U.S. and Mexican bankruptcy courts against one another.

Mexicana last month filed for bankruptcy protection under Concurso law in Mexico and Chapter 15 proceedings in the U.S.

The airline said that U.S.-based creditors get the same protection under the Concurso law as any Mexican creditor would, but legal aviation experts said creditors were likely to get more protection in the U.S. than they would in Mexico.

The Mexicana proceedings in Mexico entered the second phase this week, called the conciliation or reorganization phase. The airline now has similar bankruptcy protection in Mexico as it would be granted under Chapter 11 in the U.S. Mexicana will get a conciliator, who will be appointed by the Mexican Ministry of Transport and Communications, because the airline operates under a government concession. The conciliator will help formulate a restructuring plan for the carrier.

The Mexican government also can become more directly involved in the carrier's reorganization by appointing a special administrator to work with the court conciliator to restructure Mexicana, according to Maru Johansen, Mexicana's foreign representative.

Johansen was appointed by Mexicana's board of directors shortly before the Concurso and Chapter 15 proceedings started.

Johansen is seeking an adjournment of the U.S. Chapter 15 proceedings to confer with the conciliator — and administrator, if one is named — for up to two weeks for a briefing to get up to date on the Mexican proceedings and to see if the conciliator wants to name a new foreign representative in the U.S.

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"Mexicana cannot survive as it once was, period," said Raphael Bejar, CEO of AirSavings, a consultancy group for airlines. "They will scale down their international work and try to keep their domestic one."

Click and Link were not included in the airline's initial bankruptcy proceedings, but the airline shut down those operations Aug. 28 when it stopped all flight services; Mexicana is reportedly looking to file for bankruptcy protection for those low-cost, domestic operations, as well.

The airline also is reportedly looking at a restructuring that would drop European flights and focus on North and Central America service when it starts flying again, perhaps at the end of November.

Those types of plans make the carrier's relationship with its aircraft leasing creditors all the more important. Mexicana has already returned half of its fleet in the past month and, analysts said, the airline needs to work out viable agreements with those leasing companies to make sure it has the aircraft to operate on whatever restructured network it puts together.

