The Moscow Times
30 YEARS
INDEPENDENT NEWS FROM RUSSIA

Avianova Will Make Final Flights Sunday

By Roland Oliphant

October 04, 2011



Avianova airplanes will no longer be flying after Sunday. **Pavel Adzhigildaev**

The troubled Avianova airline will make its last flights Sunday, before closing shop forever, acting general director Konstantin Teterin told journalists Tuesday.

"From Oct. 9, we will suspend the activities of the airline. All the necessary documents are being prepared for submission to the Federal Air Transportation Agency," he said at a news conference.

The carrier's six Airbus A320 aircraft will be returned to leasing companies, some of whom had launched court bids to repossess them in recent weeks, Teterin said.

He also said there were no plans to start bankruptcy proceedings, despite reports that the airline is effectively out of cash. There are allegations that Alfa Group subsidiary A1, which owns 51 percent of the venture, has rejected buyout offers.

All passengers with tickets booked after Oct. 9 will receive a full refund. Those who bought

electronic tickets online should have the cost credited back to their bank accounts within a week, Teterin said.

A1 promised Tuesday to set aside a tranche of money to meet the air carrier's obligations to passengers and continue to pay staff wages for an unspecified period.

Teterin said the airline has sold 67,400 tickets to the end of October and owes passengers about $5 million in refunds.

Avianova's management announced that it was closing down late Sunday as a result of a funding freeze by minority American shareholder Indigo Partners, which holds 49 percent of the airline.

A1 has accused Indigo of refusing to meet obligations to pay the airline's debts and deliberately sabotaging the airline in the interests of its Central European budget airline Wizz Air.

But Dmitry Chernyak, a former managing director at A1 fired by the company in March, said Avianova was already in a financially precarious position this spring, but A1 rebuffed two offers to buy its 51 percent stake in the airline.

Chernyak said the Russian company missed opportunities to refinance the project when it rejected a $33 million offer he put together with the help of an institutional investor in May and a “cost plus 10 percent” buyout offer from Indigo Partners later in the summer.

A1 denied receiving any such offers, telling The Moscow Times that it had "not received any official offers from any authorized structures" for its 51 percent stake in the airline.

"They were unhappy with the project, and one of the things I said was 'if you do not like it so much, put your money where your mouth is.' So the first thing I did when I got fired was to find an investor and make the offer," Chernyak said by telephone.

He said A1 called him in September to resurrect the $33 million deal, but by then news that creditors were seeking to repossess the Avianova's aircraft had already destroyed the airline's market value.

"I made a proposal to A1 last week to sell me their stock for $1. That's less than $33 million, but it's better than bankruptcy, disgrace and risk of additional losses from claims of creditors and Indigo," he added.

The $1 offer was not accepted, he said.

It is unclear how the shareholder dispute will end. A1 declined to comment when asked whether it was planning legal action against Indigo Partners.

Over the past several days, Avianova flights from Sheremetyevo Airport have been delayed, and a special headquarters for Avianova passengers has been established at the airport, Interfax reported. The Moscow Interregional Transport Prosecutor's Office has also begun an investigation into the fulfillment of Avianova's legislation on consumer protection.

When asked what would happen to Avianova employees, Teterin said: "They worry me least of all. They are highly professional employees, and the market simply devours people like that."

Indigo has not responded to questions from The Moscow Times.

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