

## WHEN THE CAROUSEL STOPS

# Aviator UK Ground Handling Case Study

**In an industry based on strict regulation, rigorous safety standards and operations planned to minute detail, the unexpected closure of a major ground handling operator in one of Europe's busiest hubs would cause significant disruption. FTI Consulting were engaged to advise the board and management of Aviator UK on alternate outcomes to immediately ceasing operations.**



*The unexpected cash crisis caused by withdrawal of lender support put us in a situation in which we had little or no experience. FTI Consulting used their experience to guide us straight to the heart of the issues we were facing and immediately get to work solving them. I am not aware of any situation where a company facing immediate closure, especially in the aviation industry, has been able to stabilise and transfer >95% of employees and all key customers in a crisis without any operational disruption*

**Jo Alex Tanem – CEO, Aviator**



After the unexpected (and immediate) loss of support for the UK operation from their lender group, the directors of the Aviator UK business held an emergency meeting to consider immediately ceasing all operations at major airports in the UK.

Taking this approach would have had a catastrophic impact on European air traffic, the UK airports, airlines and passengers. The potential disruption was reminiscent of other major aviation impacts such as the Iceland ash cloud in 2010 which cost the industry over €1 billion.

Without the support of their lender group and facing a £3m+ wage bill the following week, the business was insolvent and the directors saw no other option but to immediately cease operations. Given the gravity of the situation, the directors made a decision to engage FTI Consulting to assess the options for the Group and help prevent an immediate and uncontrolled insolvency filing of the UK companies.

## Industry/Company background

Aviator UK Group ('the UK Group') comprised the UK operations of a European ground handling operator which makes up part of the £25bn European airport operation industry. The UK Group facilitates the operation of aircraft, from over 43 international airlines, including, baggage and cargo handling, flight planning, dispatch, ticket office, passenger handling, visa/immigration and crew transport, in order to transfer passengers and cargo throughout the world.

The UK Group managed ground handling operations for most major airlines operating out of Gatwick, Manchester, Birmingham and Newcastle airports.

The ground handling industry has seen significant consolidation as the largest regional competitors have acquired contracts and competitors in an effort to generate profits via scale in a very low margin industry. This has had a particularly large impact on the UK market, which is significant in size, but ultimately a challenging market due to competition and pricing pressure. In our experience, industries that operate on low margins and expand via acquisition have a high propensity for cash flow and continued restructuring issues. The transition of Aviator as well as recent events, including industrial action by Swissport employees and the restructure of Aer Lingus' ground handling function, has shown this to be especially true of the ground handling industry.

## FTI Consulting's response

### The options

The Aviator UK Board of Directors were under significant time pressure to make a decision which would not only impact the airports and airlines serviced by Aviator UK but also the lives and jobs of the 1,700 people employed by the UK Group. As Directors, their risks in an unsuccessful outcome could have been significant and they personally had a lot at stake both financially (wrongful trading) and reputationally - as the effective and uncontrolled closure of a significant part of the UK's airport infrastructure was bound to attract significant press and political attention.

As experienced crisis managers, our role was to help the business make a rapid assessment of the high priority issues and the potential outcomes in order to facilitate the decision between immediate closure, winding down the business or attempting a turnaround.

### Raising finance

Working with the board, management and legal advisors, FTI Consulting saw that it was possible to provide an orderly transition for the business. This would require

the business to obtain guaranteed finance within 24-48 hours to provide the directors with comfort that they could meet their immediate liabilities as they fell due.

FTI Consulting worked with the finance team and senior management to build and diligence a cash flow forecast for the transition period in 24 hours, as well as ensuring all non-critical payments were stopped.

FTI Consulting and senior management were then able to approach the business' key stakeholders to discuss potential funding arrangements. The UK Group secured £16m in funding to allow the business sufficient time to plan and execute an orderly transition.

In exchange, the business agreed to provide weekly cash flow forecasts for the transition period, operational updates as well as assurances on minimum service standards.

### Securing and managing an orderly transition

Following the successful agreement reached with key stakeholders, FTI Consulting's financial turnaround team focussed attention on the following key work streams:

- Operational monitoring – To ensure the business continued to meet customer requirements, whilst driving the detailed transition plan.
- Cash management – To give control and visibility over cash to senior management with daily payments meeting and a strict cost approval process and regular reporting of outstanding debtors.
- Communicating with the advisors to the funding stakeholders – To ensure the funding stakeholders were aware of the operational and financial progress of the transition.
- Government and regulatory management – To ensure relevant government bodies were aware of the transition plan and progress and minimise any regulatory impact on the transition process.
- Assessing prospects of a business sale– Discussions with potential interested parties to negotiate the sale of all or part of the business.
- Contingency planning – Planning for the impact on the business in the event that either sales or transition plans were not able to be completed.

### Implementing transparent and consistent communications to all stakeholders

FTI Consulting leveraged its Media Relations and Employee & Change Communications team to oversee

and deliver a tightly coordinated communications program targeting employees, Unions, the media and the communications teams for critical airline customers. The Communications teams of FTI Consulting partnered closely with the HR and Media teams of Aviator to co-ordinate the Transfer of Undertakings Protection of Employment (TUPE) process. This process required FTI Consulting to co-ordinate with ~50 airlines and their new service providers in order to maximise the number of employees that would maintain employment and preserve their entitlements. Through this process, FTI Consulting coordinated weekly, synchronised communications with all key stakeholders to ensure that the HR processes were compliant and communications was respectful and transparent. Media coverage throughout the process was limited, balanced and included Aviator's key messages that it was working to secure as many jobs as possible in the orderly wind-down of its UK operations.

The UK Group employed a permanent workforce of ~1,700 people. The Board was focussed on the welfare of employees and in addition the workforce was heavily unionised with a risk of industrial action.

FTI Consulting Strategic Communications also assisted the Group in providing as much clarity as possible to employees in the circumstances to assist in stabilising operations in a period of significant uncertainty.

## Outcome

- Negotiated significant funding from the group's largest stakeholders to allow sufficient headroom to plan and action an orderly transition process.
- Achieved a controlled wind-down with no operational disruption and transition of all key customers to new ground handling service providers.
- Transitioned 95% of all employees (including some support staff) under TUPE, protecting their continued employment.
- Protected directors from accusations of wrongful trading and reputational impacts.
- Secured minimal press coverage which was balanced and included Aviator messaging about efforts to mitigate job loss.

# £80 – 150m

**Estimated economic impact of an uncontrolled shutdown of Aviator UK stations**

### Newcastle

- >4.5m passengers per year
- >55,000 aircraft turns per year

### Manchester

- >23m passengers per year
- >173,000 aircraft turns

### Birmingham

- >10m passengers per year
- >98,000 aircraft turns per year

### Total

>**77.5m** passengers per year

>**596,000** aircraft turns per year

### Key impacts:

- Tourism revenue
- Mail deliveries
- Organ transportation
- Business deals and meetings
- Stranded employees impacting ability to do business
- Airline profits and operations
- Airline staff stranded

### Gatwick

- Busiest single runway airport in the world
- >40 million passengers per year
- >270,000 aircraft turns per year
- 50 different airlines
- 9th busiest airport in Europe, 2nd busiest in the UK





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About FTI Consulting

FTI Consulting is an independent global business advisory firm dedicated to helping organisations manage change, mitigate risk and resolve disputes: financial, legal, operational, political & regulatory, reputational and transactional. FTI Consulting professionals, located in all major business centres throughout the world, work closely with clients to anticipate, illuminate and overcome complex business challenges and opportunities.

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