

Thai Airways restructures debt to keep aircraft in the sky

[Thai Airways International](#)'s creditors approved recently the airline's debt restructuring plan following changes to four clauses. The approval nudges the debt collection process forward for creditors one year after the airline sought protection from creditors under a Chapter 11 provision in Thailand's bankruptcy law. The reorganization is backed with support of the Central Bankruptcy Court of Thailand. The Bankruptcy Act was announced on May 19, 2020.

THAI confirmed it had filed for business reorganization under the bankruptcy law and assured the public it would not go into liquidation or declare bankruptcy. A year later, creditors signed off on the debt restructuring plan with a favorable vote from 28 of the 36 groups representing the interests of more than 13,000 creditors. As a result, THAI is in debt to the tune of THB116 billion (US\$3.64 billion) to the registered creditors.

A *Bangkok Post* report noted the creditors secured amendments to conditions outlined in chapters four, 13 and 15 of the debt restructuring plan.

Chapter 4 of the plan says, according to the *Post*, "THAI requires consistent state support and should be allowed to operate its aviation and related businesses with the same privileges accorded to it before it ceased being a state-owned enterprise and entered the rehabilitation process."

The amendment has the potential to cause considerable debate and controversy as it could leave the door open to government intervention to secure loans, possibly through state guarantees. There is considerable opposition to the idea that the government should bail out the airline and reinstate its privileged state enterprise status through a capital infusion.

To succeed, critics argue Thai Airways needs private-sector investment and management control, with the government reducing its stake to a minimum to end political interference and improve management practices.

However, it was widely reported that the rehabilitation plan calls for the state to help the airline secure THB50 billion in fresh funding even though the State Enterprise Policy Office reiterated the government is under no obligation to rescue the airline. The airline is 51 percent owned by the Thai government and overseen by its State Enterprise Policy Committee (SEPC).

The struggling airline had previously asked for a government bailout via a 58.1bn baht (\$1.81 billion, £1.48 billion) loan. Instead, officials told the airline to come up with a restructuring plan to avoid going bankrupt.

Thai Airways was under financial pressure even before the coronavirus outbreak caused passenger numbers to plummet. In 2019, it reported losses of 12 billion baht (US\$377 million) Through the period, Thai Airways has strongly denied rumors that it was looking to file for bankruptcy. In a statement on its website, Thai Airways said: "it has no intention to file for bankruptcy, responding to rumors appeared in the news and online."

The previous rescue package put forward by the airline involved a government guaranteed loan backed by the finance ministry. Thai Airways has approximately 80 aircraft and employs 22,000 people. Operation of international flights is scheduled to return June 30.