



## Game over for Air Cargo Germany?

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Any hope that Frankfurt Hahn-based all-cargo carrier Air Cargo Germany (ACG) might restructure during its bankruptcy appears to have faded. Reports in the German aviation media indicate that ACG has defaulted on loans totaling €10 million from Hahn Airport and from Rhineland-Palatinate state development bank ISB, and that both lenders have now written off the debts.

When ACG declared insolvency at the beginning of this month, CEO Michael Schaecher said: "Through the insolvency proceeding, both management and shareholders envision to create an opportunity to restructure the company and restore operational activities." As we pointed out at the time, three of the four paths to a restructuring were closed:

- State aid was out of the question – at the first sign of a government bailout, other carriers (particularly Lufthansa) would have demanded an investigation by the European Commission's competition authority.
- A commercial loan would have increased ACG's debt burden, and that debt burden was the reason Germany's aviation authority suspended the carrier's AOC in the first place.
- Moscow-based Volga-Dnepr, which held a 49% stake in ACG, could not provide any additional equity because it was already at the legal limit of foreign ownership.



This left an equity infusion from an EU-based source as ACG's only hope, but given the extremely difficult state of the airfreight market, the political and economic fragility of the EU, and the general belief that freighter-only operation was no longer viable in the long-haul scheduled-service marketplace for small carriers, we doubted that such an equity source could be found. And now, with both Hahn Airport and ISB acknowledging that Air Cargo Germany's debts would never be repaid, it looks like time has run out for ACG.