Export credit changes could affect small airlines

Potential changes to aircraft export credit rules worldwide, under a review by the OECD, could have a big impact on smaller air carriers, according to some airline industry executives. However, others say that changes must be made for a truly competitive landscape to exist.   The review, by the OECD’s aviation working group, Participants to the Sector Understanding on Export Credits for Civil Aircraft (the ASU), will be completed by year-end—after having its final industry consultation in November.   Group members will evaluate “minimum risk-premium rates, minimum interest rates, maximum repayment terms and any other issues necessary to maintain a robust and workable level playing field”, according to the OECD website. The review is looking at the competitiveness of current export credit guidelines. Decisions around how much export credit airlines will be allowed to access are the main bone of contention, and have caused a big rift between large US and European airline executives and their compatriots elsewhere. This split has resulted in two camps that are on a media blitz to get their views heard ahead of the ASU decision. On the one side are a mixed global group of airlines—including Ireland’s Ryanair and the UAE’s Emirates, among others—that say changes could affect not only their own access to financing but also would have a big impact on smaller carriers that rely on export credit to finance new aircraft purchases. Emirates president Tim Clark said at a press briefing in Paris recently that it is the small firms that will be most affected. Clark noted that smaller carriers would be most affected because they: “can’t go to the commercial debt market because their balance sheets aren’t strong enough”. On the other side are carriers in the home markets of the two major global aircraft makers, Airbus SAS and Boeing: Great Britain, France, Germany, Spain, and the US for Boeing. Carriers from these markets have long fallen under a blanket ban barring them from accessing export finance, and thus say that other carriers—with access to export credit—have had an unfair advantage.   They want to see big changes to the rules, including potential cuts to the amount of export credit airlines are allowed to use, in order to make the landscape more competitive. Execs from the Ryanair/Emirates camp say they would be fine with the blanket ban being lifted—so all airlines could use export credit—but only if it means the fees and percentages of allowable export credit do not change. Stakeholders on both sides of the story are waiting on tenterhooks for the results of the OECD review.