

AUGUST 4, 2010, 3:27 PM GMT

## Should Mexicana's Airplane Leasing Firms Be Worried?



Bloomberg

Passengers speak to a worker at a Mexicana Airlines counter at Benito Juarez International Airport in Mexico City, Mexico.

Mexico's largest airline Compañía Mexicana de Aviación filed for bankruptcy earlier this week. Read our coverage [here](#). So far the airline has had three planes grounded — two Friday in Canada and a third in Chicago as creditors looked to seize assets. And with so many of its aircraft on leases, it makes sense to take a poke and see which of its lessors may have a bumpy ride ahead of them.

The numbers first — courtesy of Ascend Worldwide:

### Compañía Mexicana de Aviación

#### Fleet in Service

Vol.	Aircraft Type	Total Fleet:
10	A318	69 aircraft in service
25	A319	
28	A320	
2	A330	
4	Boeing 767	
		<b>Note:</b> 4x A320 aircraft are on order

Source: Ascend Worldwide

There's also 4 A320 aircraft on order.

## Mexicana's Lessors

Of the 69 aircraft, 59 are on lease with the following lessors

Vol.	Lessor
5	AerCap
11	Aviation Capital Group
1	AWAS
2	BBAM LLC
8	CIT Aerospace
12	GECAS
12	ILFC
1	Jetscape
1	Macquarie
2	Orix
2	RBS
2	Sky Holdings

Source: Ascend Worldwide

The biggest lessors to Mexicana are International Lease Finance Corp. or ILFC, GE Commercial Aviation Services, or GECAS and Aviation Capital Group.

Paul Sheridan, head of risk advisory, EMEA at Ascend Worldwide tells me that of the aircraft Mexicana flies: "The A318s and 767s are the ones that a lessor should be most worried about."

And it appears all the A318 happen to be leased out by GECAS, so quite a bit of risk exposure and sleepless nights there.

The A318 is perhaps the least efficient of the aircraft Mexicana runs — rather heavy and expensive to run — and Sheridan says will be "The first in the firing line unless they are used on particular routes or may be let go of because leases are about to run out anyway."

Frontier Airlines recently sold two A318 that were scrapped, which just goes to show how there really isn't demand for such an aircraft. There's about 60 A318 in service and on order, 43 of which run on the CFM engine.

It means GECAS may be forced to negotiate on these leases to keep them in service but they could also quite easily be scrapped. One good point to remember here is that the engine on the A318 - the CFM - is also used on the A320, so there'll be some value in those parts.

(Others to use such an aircraft include British Airways on its London City to Shannon to New York route and Air France as well as Frontier.) Boeing's 767 could also be a victim of any culling plans, unless of course it runs a particular long haul route that can't flown with any other aircraft.

Should Mexicana want cancel any of the leases for other types of aircraft, it shouldn't be a big issue as lessors should be able to find customers in a reasonable amount of time, especially for something like the A320. So, don't expect any renegotiations on those aircraft. Sheridan also warns there could be some issues with replacing the A319, which are starting to fall out of favor with airlines.

But he also warns there's threat of the 4 A320s on order being canceled but more likely the airline may just look to have roll over the delivery date, which in itself isn't yet known.

But as Sheridan notes, whatever Mexicana's plans are - as far as lessors are concerned, "There's no such thing as an easy bankruptcy."

Copyright 2008 Dow Jones & Company, Inc. All Rights Reserved

This copy is for your personal, non-commercial use only. Distribution and use of this material are governed by our [Subscriber Agreement](#) and by copyright law. For non-personal use or to order multiple copies, please contact Dow Jones Reprints at 1-800-843-0008 or visit