

A TRAVEL AGENCY'S GUIDE TO AIRLINE FAILURES.

Over the years, airlines have contributed a great deal to the development of the tourism industry. However, due to various reasons, they are susceptible to failures.* This summary provides an overview of eNett's updated 2020 research report, which explores the history and factors that trigger airline failures and best practices that travel agencies can use to mitigate impacts.

862

COMMERCIAL PASSENGER AIRLINES FAILED 2003-2019

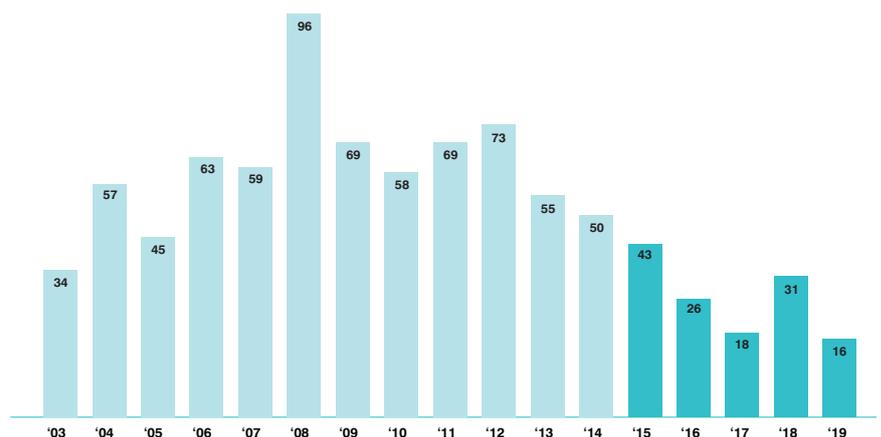
This affected 158 countries, 21 of which experienced 10 or more failures during this time.

134 FAILURES

OCCURRED OVER THE PAST FIVE YEARS

Airline failures have been a weekly occurrence, with 51 such events occurring on average each year between 2003 and 2019. There has been a lot of variation from this average, with a peak of 96 failures in 2008 and 16 failures in 2019. Favourable economic conditions and lower oil prices have driven an overall decline in the number of failures over the past five years.

NUMBER OF AIRLINE FAILURES 2003-2019.



Common triggers of airline failures.

Airline cost structures and other industry factors mean they are generally not well positioned to react quickly to increases in costs or decreases in demand. Events that can negatively impact airline financial health include:



Increase in oil price



Drop in GDP growth



Political uncertainty



Pandemics & natural disasters

*The definition of airline failures for this research includes commercial passenger airlines that permanently ceased operating because of bankruptcy, insolvency, loss of operating licence, or other 'regulatory issues'. It doesn't include airlines that were acquired or rebranded while still operating.

How eNett VANs protect travel agencies.

eNett Virtual Account Numbers (VANs) are 16 digit unique Mastercard numbers that travel agencies can use to pay their suppliers in a fast, easy and safe way.

Each VAN is backed by the Mastercard guarantee, including sophisticated chargeback capabilities. This means VANs can protect against supplier default, such as from prepaid but incomplete travel if an airline fails, as well as other adverse events such as fraud.

As soon as an airline fails, eNett will know. We proactively reach out to our customers who may be affected, and typically get money back to a travel agency in around 10 days.

eNett VANs can rapidly deliver benefits to all parties in the event of an airline failure:

- Travel agencies can recover prepayments made to the airline and are less likely to suffer financial damage or failure themselves;
- End travellers are more likely to be able to recover funds from their travel agency;
- Governments and taxpayers may incur less of the direct and indirect costs as a result of the airline failure.

Examples of how eNett has helped travel agents recover funds in recent years.



~USD4.5M

was recovered by eNett after Air Berlin announced bankruptcy in

2017.



~USD3.8M

was recovered by eNett following the demise of Germania in

2019.



~USD2.3M

was recovered by eNett after the failure of Monarch in

2017.



~USD1.5M

was recovered by eNett when Cobalt ceased operating in

2018.



Learning one of your big suppliers has gone out of business is a stressful experience – especially when you've made a number of payments to them for future bookings. But thanks to the chargeback [feature] of eNett VANs, which was processed in a matter of days, our stress turned to relief in no time."

— eNett Customer



Download the full report at www.enett.com/insights

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