

# Air Belgium suspends all passenger flight operations

Air Belgium will suspend all passenger flights starting 3 October 2023. The company's board of directors has decided to review Air Belgium's development strategy in light of recent external events that have weakened the company, such as the Covid-19 pandemic, the war in Ukraine, soaring fuel prices, inflation, and falling consumer purchasing power, as well as the current socio-economic and geopolitical instability.



Source: DS28 via [Wikimedia Commons](#)

In a statement, Air Belgium said that it wishes to concentrate on its two growth-generating B-to-B activities, namely cargo and ACMI (leasing between airlines) for passenger and cargo flights, and to discontinue its own passenger business, which in the face of increased competition is proving to be chronically unprofitable to date.

To address its current debt and return to profitability, Air Belgium's board of directors has filed for judicial reorganisation by way of an amicable agreement.

## An accumulation of external events

The aviation sector has gone through numerous disruptions over the last three years that have severely impacted the profitability of passenger operations for airlines, and Air Belgium is no exception.

In 2020, Air Belgium was forced to ground its fleet on account of Covid-19 which resulted in a sudden and drastic drop in revenues, while its fixed expenditures remained unchanged. This first episode led to a weakening of the company's financial situation.

In 2022, just as the post-Covid recovery was getting underway, the statement said, the war in Ukraine led to an abrupt increase in fuel prices coupled with a negative trend in the euro/dollar exchange rate. Moreover, the inflation that followed the drastic rise in energy costs reduced the purchasing power of consumers, the statement said.

The statement added that given the impossibility of passing the rise in fixed costs to passenger fares, Air Belgium decided in March to cancel flights to unprofitable and highly price-sensitive destinations such as the Caribbean and the French West Indies. All these factors have had a very severe impact on the profitability of the business and the cash flow of Air Belgium.

As of April 2023, the company has concentrated its activities on 2 main destinations: South Africa and Mauritius. The capacity of the released aircraft has been allocated to Charter and ACMI (cargo and passenger) activities.

Whereas Air Belgium's budget forecasts expected a return to profitability by January 2024, the financial difficulties of the past, coupled with the current uncertain and challenging environment, are forcing Air Belgium to change its strategy.

## **A change of strategy and growth based on B-to-B**

Faced with a more than unstable socio-economic and geopolitical environment and because an airline has to plan for cycles of three to five years, Air Belgium's board of directors has taken several decisions to ensure the long-term viability and growth of the company which has a staff of 500 people, namely to:

- Concentrate on the two profitable lines of business that offer growth prospects: The activities of cargo and ACMI (Aircraft, Crew, Maintenance and Insurance, or wet lease), i.e. the leasing of aircraft between airlines for passenger and cargo flights, constitute two profitable lines of business with growth prospects.
- Discontinue the Passenger business: despite the many investments by Air Belgium in recent years and the strengthening of commercial initiatives, the Passenger business is still unprofitable. After numerous studies, Air Belgium's Board of Directors concluded that turning a profit on this front would require substantial investments in addition to those already made in recent years, which has not been possible.
- Initiate judicial reorganisation proceedings by way of amicable agreement to ensure the company's long-term viability and growth and to give it time to reorganise internally around these two segments.

## **Implications of Judicial Reorganisation Proceedings**

Air Belgium has asked the business court to initiate judicial reorganisation proceedings. The court will examine the application in the coming days. If it concurs to open such proceedings, the company will be able to negotiate agreements with its creditors to reduce its debt. These agreements may include the negotiation of more favourable terms, the partial reduction of the existing debt and the deferral of interest.

The proceedings are also intended to reorganise the company's lines of business by disposing of or, where appropriate, discontinuing unprofitable activities which would have no prospect of viability if continued.

The purpose of said proceedings is to ensure the company's long-term viability, with no impact on the legal entity under any circumstances.

## **Implication for passenger flights**

Flights scheduled before 3 October 2023 will be operated and return flights would be handled by Air Belgium, either directly or through other airlines. Flights scheduled after 3 October and already paid for by passengers would be cancelled and would be reimbursed as a matter of priority in the scope of the proceedings.

## **Implications for the staff**

Judicial reorganisation proceedings do not directly concern employment but do concern creditors. Employees in the Passenger segment will continue to work during the proceedings and beyond, as management intends to reassign them gradually to other activities operated by the company.

## **Continuation of cargo and ACMI activities**

Cargo and ACMI (passenger and cargo) activities will continue as an ongoing concern through the duration of the proceedings and beyond, the aim is to be able to strengthen these two lines of business in the future.

Air Belgium was sorry to announce the discontinuation of its passenger business at such short notice, it said. All options for maintaining this activity or continuing flights after 3 October were examined, but the financial situation did not allow this, the statement added.

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