

EasyJet deal rankles founder

LONDON, UK: EasyJet is likely to go ahead and buy 135 Airbus single-aisle A320 passenger planes even though EasyJet's founder and biggest shareholder, Stelios Haji-loannou, said on Monday (1 July) that he would vote against this plan.



The entrepreneur, known simply as Stelios, delivered the news in a letter to shareholders, arguing that it was a "bad deal" because of the high cost. He went on to slam what he called a "secret deal with Airbus" because no prices have been disclosed.

Haji-loannou admitted that he still expected the deal to go ahead at a vote set for 11 July but his deep opposition is another headache for the EasyJet board after a number of run-ins between the two parties in recent times over the company's direction.

"As the person with the most to gain if this company increases profitability and the most to lose if the outcome from this order is not as promised by the board, it is my firm opinion that this is a good deal for Airbus and a bad deal for EasyJet shareholders," Haji-loannou wrote in his open letter.

"I am not against replacing aircraft that have reached the end of their economic life. However I am against buying aircraft that are three times more expensive than the ones I bought with my own money in the early 2000s," he added.

Substantial discounts

EasyJet announced the deal last month, which includes an agreement to buy 100 new generation Airbus neo aircraft.

EasyJet at the time said it had negotiated "very substantial" discounts on the combined list price of \$11.9bn. Industry sources told AFP that EasyJet may end up paying only half the amount.

"This industry is full of commentators willing to speculate on the scale of the alleged discount," Haji-loannou said in his letter.

"I have seen analysts' speculation of between 40% and 60% off the list price. The problem is one of comparison.

"If the starting list price is a fiction which always goes up with time and doubles over the next decade, then the discount has

just evaporated! No other industry is willing to buy its assets on such biased and supplier-friendly terms," he added.

EasyJet has yet to respond to the letter.

Under the deal agreed on the sidelines of the Paris Air Show, EasyJet has an option to buy an additional 100 A320neo planes.

Amid the tensions between Haji-Ioannou and the EasyJet board, Mike Rake recently stepped down as group chairman to be replaced by John Barton, who has also remained in his role as chairman of British clothing retailer Next.

Haji-Ioannou meanwhile last year launched the first pan-African no-frills carrier, Fastjet, while he and his family still own almost 37% of EasyJet.

Source: AFP via I-Net Bridge

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