

**MINISTERIAL STATEMENT ON LIAT IN THE
HOUSE OF ASSEMBLY, ST. VINCENT AND THE GRENADINES
ON MONDAY, MARCH 11, 2019**

BY

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During the recent inter-sessional Conference of Heads of State and Government of the Caribbean Community (CARICOM in St., Kitts and Nevis, the principal shareholder governments of LIAT (1974) Limited provided information to the Conference about the current financial condition and its immediate prospects for survival or development in its existing framework.

Unfortunately, some persons attending this CARICOM gathering did not heed my request, settled and agreed upon, not to address this matter publicly until the shareholders and other prospective participating governments had an opportunity to resolve further some thorny issues touching and concerning LIAT.

Unhelpfully, some participants at the Conference could not resist the temptation, on leaving the Conference, to alarm the public with declarations such as: “*LIAT will run out of cash to operate in ten days*”; “*LIAT will close down by the end of March 2019 if reluctant non-shareholder governments do not cough up some money*,” “*Even Ralph is fed up with LIAT*”. One or two others who were not at the Conference decided, through hearsay and misinformation, to spread further fear and alarm: One Minister even dusted off an insulting and tired declaration that his government is “not going to be an ATM machine for LIAT.” History, in all its banality through infelicitous language, repeats itself first as tragedy and then as farce.

The farcical outbursts had a predictably damaging effect on LIAT in terms of reputational damage, uncertainty among the large travelling public across the region, and a rush by LIAT’s creditors for monies owed before the imminent arrival of doomsday. It is precisely

because of my appreciation of the likely adverse impact of unfiltered, unnecessarily alarmist, or even wrong pronouncements, that I had urged restraint in public utterances for the time being on this most vital matter. Such pronouncements even prompted enquiries to LIAT's management from the Federal Aviation Administration (FAA) of the USA in respect of LIAT's capacity to service its routes to Puerto Rico and the US Virgin Islands. In the wake of this unwanted and gratuitous damage on LIAT, its management was compelled to issue a statement distancing itself from the doomsday scenarios and providing assurances of continued services.

The simple truth is that LIAT is facing grave challenges to its very survival and continuance but as always there are possible solutions at hand for LIAT and the travelling public. Despite many worthwhile reforms within LIAT over the past 15 or so years, including its refleeted with ten brand-new ATR aircraft, the slimming down significantly of its work force, and alterations in management systems, LIAT is still racked by unresolved legacy issues relating to non-participation in LIAT's financing by governments which countries are served by LIAT, pilots' contracts, inflexible work arrangements, unproductive scheduling arrangements, sub-optimal information technology systems, anti-developmental management practices, and too high taxes on the airline tickets. The bottom-line is that, in a small regional market, LIAT's revenues are way below its expenditure. All this and more have been detailed in CDB-financed Consultant's studies on LIAT recently concluded and reported. The relevant reports lay out the recommendations for a further reformed and restructured LIAT. The on-going operational, financial challenges and the resources required for the restructuring exercise are at the heart of LIAT's current predicament in a context where most of the governments of the countries served by LIAT are prepared metaphorically "*to drink the milk but unwilling to help in minding (maintaining) the cow*".

From among the options provided by the Consultants, the four main shareholder governments (Barbados, Antigua and Barbuda, St. Vincent and the Grenadines, Dominica) adopted what is called "the Restructuring Option". The Consultants advised that US \$152 million in funding was required to restructure LIAT as follows:

Conversion of Debt to Equity (CDB mainly) by Existing Shareholders:	US \$ 66.8 m
Additional Cash Investments (other Governments):	US \$ 39.0 m
Subsidy – 2018 (Major Shareholders):	US \$ 13.0 m
Subsidy – 2019 – 2023 (all Shareholders)	<u>US \$ 32.8 m</u>
Total Funding Required over 5 years	<u>US \$151.6 m</u>

The shareholder governments, in their earlier agreed proportions with the CDB, began servicing the CDB debt for the reflecting exercise. The portion shouldered by St. Vincent and the Grenadines, is US \$5 million in accord with my enunciated principle adopted from Aristotle, that is, equity among equals, proportionality among unequals. Barbados’s share is approximately US \$35 million; and Antigua-Barbuda’s, US \$25 million. The CDB loan was to the governments but it was agreed that LIAT would service it. LIAT has been unable to do so, thus the respective governments have been doing so for sometime now.

The fact that LIAT’s main shareholder, Barbados, (49 percent of the shares) is under an IMF programme has constrained the extent of its envisaged participation in the Restructuring Option as originally framed. The other two major shareholders (Antigua and Barbuda, 36 percent and St. Vincent and the Grenadines, 11 percent) are unwilling to fill any funding gap above any commitment attendant upon their respective shareholdings. The fourth main shareholder, Dominica, is unable practically to address this matter in light of two back-to-back devastating hurricanes which ravaged it. Further, the unilateral and illegal sanctions against Venezuela by certain countries, led by the USA, have brought long-term concessional financing under the Petro Caribe arrangement to a grinding halt, thus limiting the capacity of Antigua-Barbuda, St. Vincent and the Grenadines, and Dominica to respond beyond a reasonably affordable call.

At the same time, the trade unions representing the pilots and other employees in LIAT have not found it palatable to assist in burden-sharing. Their response has been hemmed in by conditions, equivocations, and even diversions. The challenge here, thus far, has been how and to what extent a resolution can be had to an enigma

wrapped in a labyrinthine puzzle arising from the workers' issues. Still, there is hope since reality has a way of asserting itself but time is running out.

Meanwhile, over the last six months, not a single government outside of the four main shareholder governments responded positively with an offer of any funding to advance the Restructuring Option as originally proposed. As Chairman of the Shareholders of LIAT I have failed to persuade any of the governments to come to the table for this Option. Mia Mottley, the distinguished Prime Minister of Barbados, with abundant energy and skill has thus far been unable to prod the reluctant governments forward. Six months ago, I jokingly told Mia that in respect of three of the non-shareholder governments which we were targeting in the first round that only one would eventually come to the table though kicking and screaming, a second would knock the shine off her ball, and the third would leave it alone outside the off-stump. I was speaking from experience.

In short, the original Restructuring Option is in tatters. It required, among other things, four essential funding elements: Addressing the old debt; providing transition funding; securing more flexible and affordable contracts with the pilots and other employees; and defining a model which includes all the territories contributing going forward.

Accordingly, the shareholders have agreed to amend the original Restructuring Option to ensure LIAT's survival and continuance. The issue of converting the CDB debt to equity is a work in progress but the governments of Barbados, Antigua and Barbuda, and St. Vincent and the Grenadines are servicing their share of that debt.

This amended Restructuring Option calls for a burden-sharing approach, including all stakeholders, labour, lessors of seven of the aircrafts, suppliers, and financiers. It involves, too, the introduction of a Minimum Revenue Guarantee (MRG) Model from all countries served by LIAT to be made effective from April 2019. If there are unfavourable responses from the various territories served by LIAT and from the unions in respect of certain proposals, the shareholders may consider further options including reducing the number of

aircraft or even starting a new company. LIAT is prepared to expand its code-sharing with other airlines on particular routes served by it.

The amended Restructuring Option received endorsement by the Shareholders of LIAT at a meeting in St. Vincent and the Grenadines, chaired by me, on Saturday March 09, 2019. The draft MRG model is to be revised by the management with input from other technical persons, including from St. Vincent and the Grenadines.

Between the conclusion of the CARICOM inter-sessional meeting on February 27, 2019, and now, several positive developments regarding LIAT have emerged. First, management is refining its US \$5.4 million immediate funding request to address certain outstanding operational payments; second, Grenada, through its Prime Minister, the Hon. Keith Mitchell, has announced its willingness immediately to contribute to the US \$5.4 million funding request and to the MRG; thirdly, several governments at least theoretically, have no quarrel with the MRG — if a country wants a particular flight and it is not viable financially for LIAT, that country pays a guarantee for its operation; fourthly, promising tentative signs have come from meetings with some of LIAT's lessors, suppliers, and financiers.

In this evolving saga of LIAT, management has already done the following:

1. Sent MRG letters to eleven territories but not as yet to Martinique, Guadeloupe, St. Martin, and Puerto Rico. Response deadline is March 15, 2019.
2. Meetings have been held with major lessors. Other meetings are scheduled.
3. Meetings have been held with the Caribbean Development Bank and the Antigua Commercial Bank.
4. Preliminary meetings held between the unions and management.

5. Preparations have been made to brief further all stakeholders on the plan going forward.

LIAT's management envisages that the draft Minimum Revenue Guarantee from 12 territories (Antigua, Barbados, Dominica, Grenada, Guadeloupe, Martinique, St. Kitts, St. Lucia, St. Marten, St. Vincent, Tortola, and Trinidad) will yield some US \$16 million annually. The MRG will address funding going forward but not the old debt, CDB and otherwise, including the requested US \$5.4 million immediately. The MRG model may cause a reduction in the flight schedule.

Today, I leave Parliament early this afternoon to travel to Barbados to chair a meeting of the main shareholder governments, management, and the trade unions representing LIAT's employees. This urgent meeting was a mandate to me from the shareholders' meeting in St. Vincent and the Grenadines on Saturday March 09, 2019. I have already secured the personal commitments of the three leaders of the main unions, including LIALPA, based in Antigua-Barbuda. This is a vital meeting in the further progress of the amended restructuring option.

Last Saturday, Mia Mottley, jokingly called the MRG. "Mr. Ralph Guarantee". I told her that the acronym MRGs means "Mia, Ralph, Gaston, and Skerritt". But the MRGs require the involvement of the governments of all countries served by LIAT.

LIAT's request for emergency funding of US \$5.4 million (which the shareholders have asked to be refined) is based on the percentage of flights (departures per week). The four main shareholders (Barbados, Antigua-Barbuda, St. Vincent and the Grenadines, Dominica) and Grenada have agreed to provide emergency funding, but none other as yet. But these five countries of eight potential contributors are being asked by LIAT's management to provide US \$4.134 million or 76.5 percent of the US \$5.4 million reflecting 76.5 percent of the total of flight departures as follows:

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(A)			
Station	Number of Departures per week	% of Total	Emergency Funds Required US \$
Antigua	69	17.8	960,310
Barbados	116	29.9	1,614,433
St. Vincent and the Grenadines	52	13.4	723,711
Grenada	35	9.0	487,113
Dominica	25	6.4	347,938
Sub-total	297	76.5	4,133,505
(B)			
Guyana	21	5.4	292,268
St. Kitts	28	7.2	389,691
St. Lucia	42	10.8	584,536
Sub-total	91	23.4	1,266,493
TOTAL	388	100.0	5,400,000

Please note that several other countries including Trinidad and Tobago are not included in this request since they have opposed upfront the putting in any emergency funding. CAL, the national airline of Trinidad and Tobago is scheduled to meet with LIAT regarding functional cooperation between both airlines.

It is to be noted that St. Vincent and the Grenadines has 52 departures per week. Several of the flights into and out of St. Vincent and the Grenadines are under-performing as is the case in every other country. Under an MRG Model, it is likely that a few may be cut if the Government is not prepared to fund them with a guarantee. For example, two flights from St. Lucia to St. Vincent and the Grenadines have average passenger loads of 46 percent, one of the flights from Trinidad has a 38 percent average passenger load. Maybe another air carrier, perhaps a small one registered in St. Vincent and the Grenadines, may fill the breach on the St. Lucia-SVG leg. In short, there are possible reconfigured options. In this

respect the regulatory authorities are urged to address expeditiously applications by airlines for the various routes in a reconfigured regional air transport industry.

There is more to be said but I have sought to provide solid information and possible options as to the way forward. There are some people in love with problems or stuffed with learned helplessness. I am in love with viable solutions. Air transport in the region is in a state of flux and change. We must not be dinosaur-like and reject adaptations and alterations; and inertia in the face of challenges is a menace to progress.

I have avoided polemical posturings. One Prime Minister has said that “*Even Ralph is fed up with LIAT*”. I am not; I am fed up with some governments who fail and or refuse to contribute to the funding of this vital regional service; I am fed up, too, with some other stakeholders who cling to “legacies” whether at the work place, in management, or procurement. I helped to save LIAT and regional air transport from Allen Stanford when others were in bed fully with him. So, I am not fed up with LIAT but further, significant changes in, and of, it are on the immediate horizon.

There are only three possible paths for LIAT: An orderly dissolution and bankruptcy; a disorderly dissolution and disruptive bankruptcy; or a sensible restructuring. The latter is what St. Vincent and the Grenadines is advocating and seeking to implement along with the major shareholders. But other stakeholders must step up to the plate in this exercise.

There has been a lot of uninformed commentary on LIAT in the past week. One favourite canard is one trumpeted by a local commentator that no politician should be on the Board of Directors of LIAT. But there is none; the Prime Ministers are on the Board of Shareholders. Another popular chant is that incompetent people represent St. Vincent and the Grenadines on the Board of Directors. The truth is that St. Vincent and the Grenadines is represented by two persons of exceptional integrity, knowledge and quality, the former distinguished Permanent Secretary, Godfred Pompey and the esteemed former Budget Director and currently a leader in regional

banking, Isaac Solomon. So, let us cut out the uninformed and bogus chatter.

I urge, too, that CARICOM's leaders be more circumspect in addressing the business of a company which has its own structure of corporate governance. Further unwise outbursts would scare LIAT's lessors, disturb the air transport regulators, create uncertainty among staff and alarm in the public, contribute to disorderliness in the company, agitate creditors to hustle for payment of debts owed to them by LIAT, prompt passengers to seek refunds, and push air travelers to seek other travel options or cancel travel altogether.

Let us all be mature in addressing a serious challenge before us. I shall make public the details of the MRGs when they are shortly finalised. I shall provide, too, further relevant updates.

Thank you.