

March 22<sup>nd</sup> 2019

**Excerpts from the Ministerial Statement by Prime Minister,  
Dr. The Hon. Ralph E. Gonsalves on LIAT in the House of Assembly  
of St. Vincent and the Grenadines on Monday, March 11, 2019**

**Introduction**

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 Current Situation**

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*”.

### **The Options**

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.

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.

To be continued.....