

March 29th 2019

Excerpts from the Ministerial Statement on LIAT which was delivered in Parliament by Prime Minister, Dr. The Hon. Ralph E. Gonsalves

...Continued from last week

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.

Amended Option

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.

Minimum Revenue Guarantee

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:

(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