

## OPINION

## EDITORIAL

## PM needs to clear air on AA-Bartlett deal

ALTHOUGH HE is often accused of injecting the data with steroids and of providing overoptimistic analyses of the sector's performance, Ed Bartlett, Jamaica's tourism minister, has earned credit for delivering modest growth in visitor arrivals in a difficult global environment.

With his cherubic countenance, engaging personality and general good humour, people, by and large, are well-disposed to Mr Bartlett. But he now faces a charge that will require more than past performances and charm to overcome. At the same time, Prime Minister Bruce Golding's response to the issue will say much about his eloquently declared, and often repeated, commitment to accountability and transparency in government.

Mr Bartlett is accused by Contractor General Greg Christie of misleading his Cabinet colleagues about the origins of an airlift guarantee agreement between Jamaica and American Airlines (AA) which, with the complicity of two public officials, John Lynch and Lionel Reid, was consummated, even though Cabinet had asked for further consultations and alternative proposals.

The substantive allegations against these officials apart, this case raises broader

questions about existing mechanisms for the follow-up of Cabinet directives and whether ministers are sometimes allowed to 'run with it' for reasons not open to public scrutiny.

This issue goes back to 2008 when Mr Bartlett controversially announced that the government agency, Jamaica Vacations Ltd (JamVac), had signed an agreement to provide additional flights to the island from the United States cities of Chicago, Dallas and Miami, for which Jamaica would guarantee up to US\$4.5 million if American Airlines lost money on the routes. The idea was to provide more seats into Jamaica during a period of uncertainty.

### UNSOLICITED PROPOSAL

The problem is that in his brief to the Cabinet, Mr Bartlett told ministers that the deal was based on "a verbal, unsolicited proposal from American Airlines". In fact, it was the Jamaican officials who proposed the deal.

Curiously, that brief, of September 9, 2009 – which Cabinet asked to be withdrawn for the additional work – came at least a month after Mr Lynch, in his role as chairman of JamVac, had signed the deal that had been largely negotiated by Mr Reid, the agency's executive director. Contractor General Christie

discovered no additional submissions to or approval by the Cabinet for the agreement.

Two things are inexplicable: the apparent hot pursuit of the deal with AA with, as Mr Christie observed, sparse evidence of other carriers being engaged; and telling the Cabinet that the proposal had been unsolicited when, as Messrs Bartlett and Lynch concede to Mr Christie, it was they who initiated the negotiations.

In many jurisdictions, such obvious misbehaviour or display of poor judgement by a minister and/or public officials would lead to their resignations, dismissal or public censure. The public, we are sure, will see how Prime Minister Golding handles this issue.

But there is also another issue to be addressed. While, as Mr Christie concluded, there was no apparent Cabinet authorisation for the deal with American Airlines, the fact that it was executed was no secret.

Prime Minister Golding ought to have been aware of this lack of authorisation and would have understood that substantial sums were involved. What did he or his aides do about it? Did they ask questions of Mr Bartlett?

Mr Golding needs to clear the air on this matter.

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## PUBLIC AFFAIRS

Claude Clarke  
Contributor

THE SALE of Air Jamaica's routes to Caribbean Airlines, Trinidad and Tobago's state-owned national carrier, has been both emotional and contentious, evidencing Jamaica's genuine pride in and love for the Lovebird and its presumed importance to the success of our tourist industry. But this pride and love cannot offset the airline's burdensome annual cost of approximately US\$130 million to the taxpayer, or the fear, based on past experience, that local private ownership would in time have the same costly outcome.



CLARKE

The presumption that a nationally owned airline is necessary to provide a reliable flow of visitors to our tourist industry, even if valid, has carried with it a cost burden, which is now beyond our people's capacity to bear. As long as Caribbean Airlines is bound by terms requiring it to service the gateways that will bring the same potential visitors to our shores, it will be doing all that Air Jamaica was intended to do, but at no cost to the Jamaican taxpayer. On this basis, the country will be at least US\$130 million per year better off with the sale.

The question as to whether Caribbean Airlines will be sufficiently viable so as to be able to deliver this service consistently can be answered by the fact that unlike its predecessor, BWIA, the airline has been financially solvent and stable since its inception in January 2007. This has been achieved largely on the basis that fuel, the most important cost factor in the airline industry, is available to it at subsidised prices, giving it a significant advantage over other airlines.

### COOPERATION MODEL

Should the needs of Jamaica's tourism industry and Jamaican air travellers be properly served by Caribbean Airlines without further cost to our citizens, Trinidad's energy advantage would have been used to Jamaica's benefit for the first time. This is in contrast to what now obtains in the trade in goods between our two countries, where the advantage has been largely in one direction, with Trinidad benefiting at the expense of Jamaican industries and jobs.

But there are other areas in which this model of cooperation could be even more productively employed, and with substantially greater economic benefit.

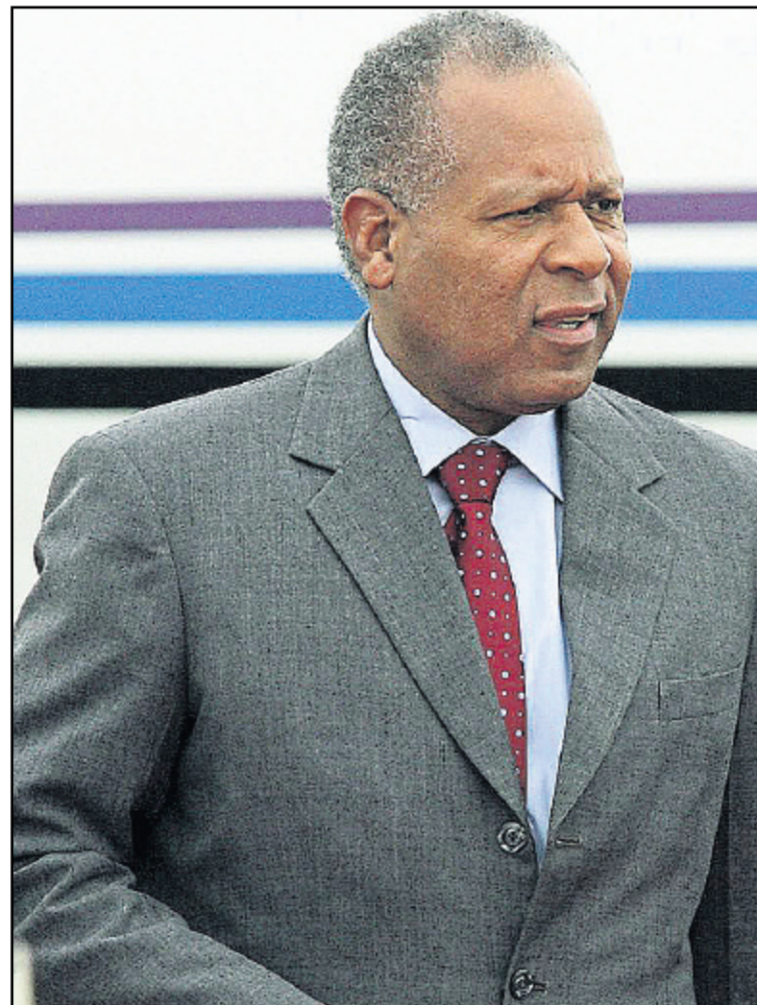
Jamaica's alumina industry has suffered a massive blow from the global economic crisis. Russian-controlled United Company Rusal (Rusal), the company that owns two-thirds of Jamaica's alumina

producing capacity, has itself been severely damaged by the global crisis. Just after it had borrowed

heavily to finance the acquisitions which made it the world's largest aluminium company, the bottom fell out of the aluminium market and prices collapsed by over 50 per cent in just four months, following the crash of Lehman Brothers in September 2008. Rusal found itself with a cavernous overcapacity in both aluminium smelting and alumina refining, and began drowning in a sea of debt. Addressing its excess capacity by closing its least efficient and most costly plants was an essential and obvious response. Unfortunately for us, three million tonnes of Rusal's most expensive excess alumina refining capacity resided in its Jamaican operations, Alpart and Windalco.

When just weeks after Lehman Brothers' collapsed, I wrote in my *Gleaner* article titled "Jamaica and the international financial crisis" that at least two of our alumina facilities were in jeopardy, I had assumed that the Government was already engaged in formulating a strategy to head off this looming threat. It was, therefore, surprising that in February of the following year *The Gleaner* reported that the Government's principal expert on the industry was surprised by Rusal's announcement of Windalco's closure. This failure to read the economic winds and the danger they posed to our economy lost us valuable time and now provides little basis for confidence that the Government has yet made any concrete progress towards the reopening of the Alpart and Windalco plants.

It is now one and a half years since the collapse of Lehman Brothers triggered the global meltdown, which precipitated our own bauxite/alumina crisis, and we have heard of no concrete arrangements for the reopening of



Trinidad and Tobago's Prime Minister Patrick Manning.

any of the closed alumina plants. Alumina produced in Jamaica pumps approximately US\$100 per tonne into the local economy and the loss of the approximately three million tonnes produced at the Rusal-owned plants has left an approximate US\$300 million hole in our already highly stressed economy.

This was much too big an economic loss for the country to have suffered without throwing every ounce of creative, entrepreneurial and diplomatic might at the task of saving it. But from what we have seen so far, our strategy seems to have been to simply wait. Wait for Rusal to overcome its financial problems. Wait for world aluminium demand and prices to recover. Wait for Rusal to recommission the more efficient plants in its worldwide inventory of shuttered excess capacity until it eventually gets to its plants in Jamaica. Jamaica could

have and should have done much better than that for ourselves.

Since the bottom fell out of the aluminium market in late 2008, Rusal has been desperate for cash. Its financial problems are deep. It has debt of over US\$15 billion and only recently had to use an IPO floated in Hong Kong to raise US\$2.2 billion to reduce it. In those circumstances, the company might have found an offer to buy any or all of its uncompetitive Jamaican refineries at relatively modest prices very attractive.

### POLITICAL UNCERTAINTIES

Although a more optimistic Rusal is now projecting a 500,000 tonne increase in demand for its aluminium and might now be interested in restarting one of its alumina plants here, especially because of the political uncertainties being encountered in Guinea, we still cannot depend on it for the full resuscitation of such an important part of our economy.

Trinidad,

through the government-owned company Alutrint, in a joint venture with Brazil's Votorantim Group, has begun building a 250,000 tonne capacity aluminium smelter with technical and financial help from China. This will require 500,000 tonnes of alumina per year. Having now come into the aluminium business, Trinidad's Alutrint, like other aluminium companies, would want to secure its alumina feedstock by having an interest in alumina-refining capacity; and my guess is that they would need very little convincing to integrate their aluminium-smelting operation in Trinidad with existing alumina refining capacity in Jamaica even before the smelter is completed.

The aluminium industry is highly energy intensive, which is why the metal is often referred to as 'solid energy'; and it is primarily the high cost of the oil-based energy used at the Rusal plants in Jamaica that makes them uncompetitive. But were Trinidad prepared to make its natural gas available at its low domestic prices to generate the electricity for these plants, their competitiveness would be transformed. This should be possible under the National Treatment Clause of the Revised CARICOM Treaty and would almost certainly be strongly supported in Trinidad if the gas were being used for a business in which it had an ownership interest.

China, which is actively engaged in building strategic links with raw-material sources around the world, would probably be prepared to joint venture with Trinidad and Jamaica to create a fully integrated aluminium industry in the Caribbean.

In June last year, Trinidad's Prime Minister Patrick Manning announced his intention to make Jamaica a priority for natural gas, and declared his eagerness to help in addressing the serious economic plight we face from the impact of the global economic crisis, particularly in regard to our bauxite/alumina industry. Despite his somewhat condescending tone, has he been taken up on this offer, or have we been deterred by parochial pique?

Had the Jamaican Government been more alert to the threat to our alumina industry from the global economic crisis and to Rusal's weak financial situation, and were we sufficiently aware of the opportunity presented to us by Trinidad, which enjoys a lucrative trade relationship with

Jamaica, and to China's global strategic mission to secure supplies for its rapidly expanding industrial engine, we might have put together an arrangement which would have either averted the closures, or put us well on the way, with plans to reopen the plants.

### PERFECT TIME FOR ALUMINA

Paradoxically, the global economic crisis may have created a previously unavailable, almost perfect opportunity for strengthening Jamaica's alumina industry. The confluence of Rusal's deep cash flow and debt crisis, Jamaica's CARICOM relationship with energy-rich Trinidad, and Trinidad's venture into the aluminium industry with low-cost energy could, because of Trinidad's energy, put a significant part of Jamaica's alumina industry into the top tier of global cost competitiveness and significantly increase the value of the industry to our economy.

Those who believe that Jamaica would be giving up value if Trinidad becomes involved in the ownership of our alumina sector should understand that, except for Clarendon Alumina Production's 45 per cent stake in Jamalco and a small seven per cent local share of Windalco, the industry is already externally owned.

The opportunity for Jamaica to begin to realise the potential of CARICOM as a single economy through a partnership of our bauxite resources and Trinidad's natural gas at its domestic price is begging for action from our government. At the very least, Trinidad should find the 775,000-tonne-capacity Ewarton plant very attractive as a feeder to its 250,000-tonnes aluminium smelter.

Has any of this thinking been taking place in Government? Or is our policy to wait for debt-ridden Rusal to fix its financial problems and eventually get around to addressing our US\$300 million per year alumina problem, in its own good time?

■ **Claude Clarke is a former trade minister and manufacturer. Feedback may be sent to [columns@gleanerjm.com](mailto:columns@gleanerjm.com).**

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