

Jamaica not obliged to pay CAL's debts, says Chung

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The **Government's** minority stake in Caribbean Airlines (CAL), the new parent airline of Air Jamaica, comes without debt obligation, says accountant Dennis Chung.

Chung, a member of the Air Jamaica divestment team, was countering comments by economist Dr Damien King who last week questioned whether government's 16 per cent stake in CAL would result in continued debt accumulation for the Government.

Chung said that an agreement which failed to mitigate against the possibility of debt accumulation would have been "self-defeating".

"We recognised the possible exposure and, therefore, wrote into the agreement that the GOJ would not have any future financial obligation unless it chooses to through its own election to further capital contribution," he told **Finacial Gleaner** via email.

"We also ensured that the airline was properly capitalised prior to our 16 percent stake. The implication that the Government of Jamaica has a potential liability as a result of its holding is, therefore, not accurate," he said.

Chung's comment reaffirmed assertions by then Prime Minister Bruce Golding in May 2010 that Jamaica's minority ownership in Caribbean Airlines would not required it to absorb any losses or provide any capital.

The Air Jamaica divestment committee was headed by Dennis Lalor, and included Cheryl Lewis from the Attorney General Department, and Chung as [project](#) manager.

King's comment on the potential debt exposure was made at a joint Centre for Leadership and Governance/Gleaner Editors' Forum last Thursday at the newspaper's North Street, Kingston offices.

The economist compared the 2011 Air Jamaica divestment with its privatisation in the 1990s, which resulted in the Government assuming the bulk of its debts though it held a 49 per cent minority stake.

The Government reacquired the airline and billions in debt in 2004 from a group of private investors, led by Gordon 'Butch' Stewart. King said the lessons learnt in the 2000s indicate that partial privatisation can prove costly.

CAL officially acquired majority stake in Air Jamaica in May 2011 after a year of operating as a consolidated airline.

business@gleanerjm.com