

LIAT: Time for regional action

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THE three main shareholder governments in LIAT — the airline that is vital to the movement of tourists and locals alike in the Caribbean — are scheduled to meet on January 31 to consider options for the airline which lost US\$14.8 million last year.

If LIAT collapses, travel within the region will be severely affected. This will result in a loss of revenues to governments in myriad ways including the hefty landing fees LIAT pays. It will also affect hotels, taxis, retail outlets and restaurants. Business people and persons travelling for social purposes will also be affected.

There are those who argue that the Trinidad and Tobago Government-owned Caribbean Airlines (CAL) and the low-fare airline REDjet will be able to take up the slack, but they underestimate just how much of a workhorse LIAT is, and the extent of the service that it provides, including to uneconomic routes, even though it has now shed some of them.

While George Nicholas, the chairman of CAL, announced late last year that CAL “would gradually cover the Organisation of Eastern Caribbean States (OECS) countries with several flights a day”, that is yet to happen and indeed may never happen with the scheduled frequency of LIAT’s present flights.

The principal reason for LIAT’s poor financial performance is the age of its fleet of planes, many of which it is leasing; the high cost of their maintenance because of their age; and the downtime and delays the airline endures because of break-downs. If new aeroplanes can be brought into the operation, there could be considerable cost reduction, decreasing significantly, if not eliminating, the airline’s operational losses, and allowing LIAT to continue providing a crucial service to the region.

While the governments of Antigua and Barbuda, Barbados and St Vincent & the Grenadines are LIAT’s main shareholders, with Barbados being the largest of them, eight other governments of the Caribbean Community (Caricom) are also shareholders, owning 1.11 per cent of the shares.

As shareholders, however small, and as members of Caricom to which regional transportation is highly important both for the movement of goods and people, and the strengthening of the spirit of “community”, these governments too should be concerned about LIAT’s prospects.

In these circumstances it is difficult to understand why Caricom governments have not together addressed the difficulties of LIAT, in the context of regional transportation in an attempt to resolve them.

Regional airline experts have long suggested that a structured co-operative relationship between LIAT and CAL would be beneficial to both airlines which could share the costs of a number of common activities, and with LIAT acting as a feeder for CAL’s long-haul flights from several Caribbean ports. This still appears to be a sensible option.

As far as is publicly known, there has not been an attempt by the boards of CAL and LIAT to try to forge a working relationship in the last two years, largely because of an indifferent posture by CAL, nor has there been an effort by Caricom governments to talk through the issue based on technical studies of which there are many. Instead, the region is witnessing an increasing expansion of CAL’s flights into territories traditionally serviced by LIAT. CAL is doing so with <http://activepaper.olivesoftware.com/Default/Scripting/ArticleWin.asp?From=Archive&Source=Page&kin=JObserver&BaseHref=JMO%2F2012%2F01%2F29&ViewMode=HTML&PageLabel=4A&EntityId=Ar08500&AppName=1>

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the significant unfair advantage of fuel subsidised by the Trinidad and Tobago Government and new aircraft with far less maintenance costs.

While CAL's subsidised flights will hurt LIAT if the latter airline cannot reduce its operational costs, CAL will not be able to service LIAT's present routes fully in the future and may even, for financial reasons, abandon some of them, especially if, as the CAL chairman has said, CAL decides to give up the huge fuel subsidy it now receives from the Trinidad and Tobago Government that makes up much, if not almost all, of CAL's declared profits.

Recently, there has been a suggestion that two of LIAT's existing small shareholder governments — St Lucia and Dominica — might again become larger shareholders in the airline. Were they to do so, they would each have to find US\$1.8 million, difficult to do in the present circumstances of their economies. Even if they were to do so, it would not overcome the difficulties that confront LIAT and would not contribute to its longer-term stability, though it would demonstrate both commitment to, and confidence in, the airline.

One possibility, which LIAT might consider, is the formation of a new company by interested Caribbean governments to purchase appropriate new aircraft from Brazil, Canada or France and leasing these new planes to LIAT. The new government-owned company would be able to acquire aircraft at concessionary prices, and, in turn, lease the aircraft to LIAT.

LIAT would then retire its leases on its oldest aircraft. Overall, these measures would reduce LIAT's maintenance costs significantly and shorten the downtime of its aircraft and its flight delays. It would be beneficial if other governments were to join the St Lucia and Dominica governments in establishing the new Caribbean company to negotiate and purchase the new planes that LIAT would lease.

Caribbean governments have collectively spent US\$45 million subsidising flights by carriers into the region. None of it was spent on LIAT. Additionally, Caribbean governments have collectively expended a great deal of time and money trying to get the British Government to reduce the Air Passenger Duty applied to flights into the Caribbean. Yet none of this money and effort is spent on solving a distinct Caribbean transportation problem.

The ideal approach to addressing the LIAT issue would be a full Caricom Heads of Government meeting that includes the prime minister of Trinidad and Tobago. Importantly, it should not be a meeting in which the Government of Trinidad and Tobago would be expected to shell out money for LIAT. It should be aimed at requiring a co-operative and structured relationship between CAL and LIAT, and an end to CAL's fuel subsidy on the routes with which it competes unfairly with LIAT.

The prospect of a collapsed LIAT is not good for tourism, business or the community of Caribbean people. It is time for regional action.

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