

THE
SENATE DEBATES

(OFFICIAL REPORT)

FIRST SESSION 2003 – 2008

THE SENATE

Wednesday, April 26, 2006

The Senate met in the Senate Chamber, Parliament Buildings, on Wednesday, April 26, 2006 at 11.20 a.m.

PRESENT

His Honour Senator Sir FRED GOLLOP, K.A., J.P. (President)

Her Honour Senator Dame Patricia SYMMONDS, D.B.E., G.C.M., B.A. (Hon.) (PGCE), J.P. (Deputy President)

Senator the Hon. Miss L. V. EASTMOND, LL.B., (Hons.), LL.M. (Minister of Commerce, Consumer Affairs and Business Development)

Senator T. E. BARKER, B.A. (Hons.), M.A. (Econ.), J.P. (Parliamentary Secretary in the Ministry of Finance and Economic Affairs)

Senator R. W. GRANT, B.A. (Econ.), G.Dip., M.A. (Parliamentary Secretary in the Ministry of Tourism and International Transport)

Senator G. P. B. NICHOLLS, B.Sc. (Hons.), LL.B. (Hons.)

Senator Miss P. E. PARRIS, J.P.

Senator Miss S. C. V. HUSBANDS, B.A. (Hons.)

Senator Dr. F. L. CHANDLER, Ph.D., B.Sc. (Hons.)

Senator Sir ROY TROTMAN, K.A., M.A.

Senator Sir JOHN STANLEY GODDARD, K.A., G.C.M., B.Com, F.C.A., (Hons.), LL.D. (Hon.) (U.W.I.)

Senator R. O. MARVILLE, B.A. (Hons.), M.A. African Studies, M.B.A.

Senator the Very Rev. H. E. CRICHLow, G.C.M., B.A. (Hons.) (Dunelm)

Senator I. St. C. LINTON

Senator G. P. I. GOODING-EDGHILL

Senator Dr. D. S. LOWE, Ph.D., M.Ed., B.A., Dip. Theology.

Senator F. J. STUART, B.A., LL.M.

Prayers were led by Senator the Very Rev. H. E. Crichlow.

Mr. PRESIDENT: The Senate is in session.

ANNOUNCEMENTS BY HIS HONOUR
THE PRESIDENT

Mr. PRESIDENT: I have received apologies for the absence of Senator Griffith who is out of the country on Government business, and Senator Sir Allan Fields.

In Senator Griffith's absence, Senator the Hon. Miss L. V. Eastmond will be the Leader of Government Business.

On another matter, I wish to recognise three distinguished visitors to the Senate today. The Rt. Honourable Lord George Foulkes and Ms. Geraldine Smith, M.P. of the House of Commons. I also recognise His Excellency Mr. Duncan Taylor, the High Commissioner of the United Kingdom to Barbados.

PRESENTATION OF PAPERS

SENATOR THE HON. Miss L.V. EASTMOND: Mr. President, I am commanded to lay the following documents before The Honourable The Senate:

- Duties, Taxes and Other Payments (Exemption) (Larson and Toubro) Limited Order, 2006.
- Value Added Tax Order, 2006.

- 3 Duties, Taxes and Other Payments (Exemption) (World Cup Barbados Inc.) Order, 2006.
4. Value Added Tax (Refund) (Insurance Corporation of Barbados Limited) Order, 2006.
5. Duties, Taxes and Other Payments (Exemption) 35th Annual General Meeting Conference and Exhibition of (The Caribbean Shipping Association) Order, 2006.
6. Special Development Areas (Anthony Cadogan) Notice, 2006.
7. Land Tax (Rate of Tax) Order, 2006.
8. Annual Report of the Operations of the Barbados Drug Service for Fiscal Year, April 1, 2004 to March 31, 2005.

MOTIONS RELATING TO THE BUSINESS OR
SITTING OF THE SENATE AND
MOVED BY A MINISTER

SENATOR THE HON. Miss L.V. EASTMOND: Mr. President, I move that Standing Order Nos. 22(1) and 45(2) be suspended for the duration of this Sitting.

The question was put to the Senate and agreed to.

INTRODUCTION OF BILLS

SENATOR THE HON. Miss L. V. EASTMOND: Mr. President, I beg to move that the following Bills be read a first time.

1. Customs (Petroleum Products Bulk Storage) (Validation of Fees) Bill, 2006.
2. The Value Added Tax (Amendment) Bill, 2006.
3. LIAT (1974) Limited (Guarantee) Bill, 2006.

The question was put to the Senate and agreed to.

PUBLIC BUSINESS

Mr. PRESIDENT: Public Business is the Order of the day.

ORDER NO. 3 – THE VALUE ADDED TAX
(AMENDMENT) BILL, 2006

SENATOR THE HON. Miss L.V. EASTMOND: Mr. President, we are seeking here to amend the Value Added Tax Act, Chapter 87, by introduction of this Bill, the Value Added (Amendment) Bill, 2006.

It is really a very simple matter. The Bill consists of two clauses. The second clause refers to the fact that we wish to amend section 59 of the Act by including a reference to paragraph 6 and 14 of the Act.

This Bill arises from circumstances within which, as you know, Barbados is in the process of organising ICC World Cup West Indies Cricket in 2007. In order to do this, World Cup Barbados, Inc., a Company was incorporated in Barbados on September 4, 2003 to oversee the redevelopment of Kensington Oval and the upgrading of other grounds around Barbados.

A request was made by the Company to be exempted from the payment of Value Added Tax, because it was felt that it was an entity that was not registered and, therefore, would not be able to benefit from the mechanism that has been put in place, with respect to the refunds of Value Added Tax.

Therefore, the matter was brought to the attention of the Comptroller. It was recommended that what one could do was to make a provision in the legislation, where the Company would be entitled to a refund of Value Added Tax, within a two-year period.

In order to do this therefore, we had to look at amending the Schedule to the Act. Now, the Amendment of the Schedule of the Act was actually effected previously by a Value Added Tax Order, 2006. This was made by the Minister of Finance on 20th April, 2006 and laid in the Lower House.

Essentially, the Third Schedule to the Value Added Tax Act has been amended by including new paragraphs 13 and 14. The one that is of relevance to us is paragraph 14, which makes reference to goods and services approved by the Comptroller and supplied to World Cup Barbados, Inc., in connection with the hosting of Cricket World Cup 2007.

This means now that in effect, the Third Schedule to the Value Added Tax Act, has now been amended and extended from its 11 paragraphs to its 14 paragraphs. Sir, this makes relevant, the Bill that we are now seeking to introduce, which includes a reference to paragraphs 6 and 14. Sir, this reference to paragraphs 6 and 14 allows a situation where an entity can make an application to the Comptroller to have a refund of tax paid with respect to goods and services. This is what we are seeking to effect now by the introduction of this particular Bill.
11.30 a.m.

As I mentioned before, Mr. President, it is quite a simple matter, and therefore I beg to move that the Bill be read a second time.

The question was put to the Senate and agreed to.

On the motion of SENATOR THE HON. Miss L. V. EASTMOND, the Senate resolved itself into Committee, HER HONOUR SENATOR Dame Patricia SYMMONDS in the Chair.

COMMITTEE

MADAM CHAIRMAN: The Senate is in Committee.

Clauses 1 to 2 inclusive were called and passed.

On the motion of SENATOR THE HON. Miss L. V. EASTMOND, Madam CHAIRMAN reported to HIS HONOUR the PRESIDENT the passing of one Bill in Committee and Mr. PRESIDENT resumed the Chair and reported accordingly.

On the separate motions of SENATOR THE HON. Miss L. V. EASTMOND, the Bill was read a third time and passed and cited as the Value Added Tax (Amendment) Act, 2006.

ORDER NO. 4 – THE LIAT (1974) LIMITED (GUARANTEE) BILL, 2006

SENATOR THE HON. Miss L. V. EASTMOND: Mr. President, this Bill that we are now considering, seeks to provide for a Guarantee by the Government of Barbados with respect to aircraft maintenance, return condition obligations and repossession under the Aircraft Lease Agreements made between LIAT (1974) Limited and Bombardier Services Corporation.

Mr. President, this is quite a short Bill. In Clause 2 of the Bill certain definitions are set out. For example, “Bombardier” is defined as meaning the Bombardier Services Corporation, a company which is incorporated under the Laws of Delaware. Of course, the company that we are referring to in the Bill is LIAT (1974) Limited.

What Clause 3 then seeks to do is to identify the Government of Barbados as a shareholder in LIAT. With respect to the Aircraft Lease Arrangements, which have been entered into by LIAT and which are set out under the Schedule in Part I, the Government of Barbados seeks to provide, through this process, a guarantee with respect to LIAT providing certain services and entering into certain obligations with respect to the repair of aircraft which is leased from Bombardier Services Corporation.

Clause 3 goes on to entitle the Minister of Finance or any person authorised by the Minister in writing to sign the Guarantee on behalf of the Government of Barbados.

Clause 4 refers to the conditions of the Guarantee itself and is therefore really the substance of the Bill. The Guarantee is set out at Part II of the legislation and is entitled the “Terms and Conditions” of the Guarantee.

Mr. President, by way of background, as you know, many airlines instead of owning aircraft actually lease aircraft. In the case of LIAT, we are referring here to two Dash 8-311 aircrafts that are being leased from Bombardier Services Corporation.

Mr. President, before September 11, 2001, there was no requirement to actually remit a sum of money to the lessors, but since then, and because of the turmoil in the airline industry and all of those related industries, there was then a requirement that a sum of US\$49 600 per month be remitted and put into an escrow account for each aircraft. This amounts to approximately, US\$1.2 million per year.

Mr. President, negotiations were entered into with a view to determining whether or not some other arrangement could not be put in place and it was agreed that the Government of Barbados and the Government of Antigua and Barbuda, should provide a guarantee with respect to the obligations that LIAT (1974) Limited should enter into.

Mr. President, I should point out that Barbados recently increased its holding in LIAT significantly, and therefore it is clearly within the interest of the Government to ensure, in terms of the restructuring of LIAT, that it is able to carry out this restructuring programme in as an effective a manner as possible, and in so doing the Government of Barbados is providing this guarantee.

Mr. President, I will make some mention of the guarantee as contained in the Bill itself in Part II to the Schedule of that Act. Some of the undertakings are that the Government of Barbados should ensure that LIAT carries out timely maintenance checks and other works and repairs as required under their Agreement with Bombardier Services Corporation. Sir, it becomes part of the Government’s responsibility to ensure that LIAT performs these tasks.

Mr. President, if within any period of time it is felt that LIAT is not carrying out its obligations, then the Government of Barbados has a responsibility to require that LIAT performs the repairs or causes the repairs to be done.
11.40 a.m.

Mr. President, in a case where, for example, LIAT does not carry out those undertakings, there is a further obligation on the Government to make sure that they are carried out and that if Bombardier is forced to carry out, these repairs, the Government of Barbados would bear

the cost. Sir, these are some of the guarantees that the Government is undertaking to meet.

Mr. President, in terms of the nature of the undertakings, they are articulated in the guarantee as being irrevocable, absolute, independent and unconditional. The point is being made very clearly in the guarantee that the Government has a pecuniary interest in LIAT and, therefore, in relation to any enforcement of the guarantee, the Government would be subjected to private commercial law and suit. That would be very important to the lessor, in a situation such as this.

Mr. President, the agency that signs on the behalf of the Government of Barbados, represents that it has an irrevocable statutory authority and Parliamentary approval, to enter into the guarantee, in order to bind the Government. Finally, the Government waives fully and irrevocably notices of acceptance of this guarantee, diligence of setoffs and counterclaim against Bombardier.

Mr. President, the Government of Barbados believes that LIAT should carry on its affairs as a commercial entity and, therefore, the guarantee now being provided is being done within the context of allowing LIAT to carry out its obligations, in order to restructure the company itself, so that it can become more commercially viable. Of course, everyone in the region understands the importance of LIAT, in terms of transporting CARICOM nationals and being a facilitator of tourists coming into the region, where Barbados is seen as a hub, in many instances.

Mr. President, aircrafts coming from the United Kingdom, United States of America and Canada, would come through Barbados, with the objective of linking with LIAT, then to be taken to other jurisdictions within the Caribbean. It is, of course, critical that transportation within CARICOM and the wider Caribbean region is maintained.

Mr. President, I, therefore, commend this Bill to all Honourable Senators for their support and I beg to move that the Bill be read a second time.

The question was put to the Senate and agreed to.

SENATOR F. J. STUART: Mr. President, the issue of Government's relationship with LIAT, has engaged the attention of this Honourable Chamber, I believe thrice, since the last General Election. Certainly since I have been an Honourable Member of this Chamber.

Mr. President, we have all agreed that LIAT is a fairly steady agenda item for the Government of Barbados and other Governments of the Caribbean. It has performed a significant and meaningful role for its entire history, in facilitating the movement of people between the islands of the Caribbean.

Sir, having regard to the fact that Barbados is a tourist destination and that in terms of the pool from which we draw our tourists, CARICOM countries, I believe rank third, it is, therefore, important that we have an airline that facilitates the movement of Caribbean people to and from Barbados.

Mr. President, therefore, LIAT is central, and has been central to the movement of the people across this region, and has been so for a number of years. Sir, one cannot help but notice that whenever the issue of LIAT comes up, that issue is raised in the context of LIAT's disabilities, and today is no exception. The need of the Government of Barbados to guarantee LIAT's maintaining its aircrafts and other obligations, speaks to the capabilities of this airline and its disabilities, which have haunted it, ever since its inception.

Mr. President, I always like to say that LIAT was conceived in an emergency, was born in undercapitalisation, and was cradled and nourished in inefficiency. I say that because in its pre-1974 incarnation, the parent company of LIAT was Court Line, of Britain and suddenly Court Line indicated to the Governments of the region that it was moving out of the Caribbean and was going to, as it were, close the airline down.

At that time, the regional Governments had to respond, having regard to the centrality of the role LIAT had played in intra-regional movement and therefore the company, LIAT (1974) Limited, was incorporated, with the Governments of the region coming together and assuming ownership of the airline.

Mr. President, the Democratic Labour Party was in office at the time, and the Leader of the Party had a very active and enthusiastic interest in airlines and in how they operated. Sir, the Democratic Labour Party Government was part of that regional movement to save the airline and to ensure that it continued to perform the role, which it had performed in its pre-1974 incarnation.

Mr. President, the formation of LIAT (1974) Limited was a response to an emergency because of the fact that Court Line was pulling out and the region's intra-regional movement had to be preserved. Sir, having been conceived in that kind of emergency, it was quite natural that regional Governments, beset by a scarcity of resources, were not able to put the kind of capital into the airline that it needed, to make it a viable operation. Therefore, for the last 30 years, the airline has been bedevilled by financial problems, which can be traced to its initial undercapitalisation, when the regional Governments took over. Sir, that has continued and the taxpayers of the Caribbean have had to carry some of the burden. In addition, LIAT has had a fairly large debt profile, as I understand it, which continues to be one of its major problem.

Mr. President, if the airline is to become viable, the issue of properly capitalising has to be put firmly on the region's agenda. Therefore, regional Governments, all of which have a vested interest in the preservation of LIAT, have to rise to the occasion and discharge their responsibilities conscientiously.

11.50 a.m.

This cannot be done effectively if LIAT's reputation for inefficiencies at certain levels continues, as it were, to precede it. It is perhaps the only business in this region which is accused simultaneously of being top-heavy and bottom-heavy at the same time. It conjures up a very ungainly picture when one hears that accusation because, for many people in the region and for observers of fortunes of LIAT, it has been treated as some kind of employment agency by certain Governments in the region and its commercial viability has, therefore, been undermined as a result of that seemingly irresistible inclination.

Mr. President, the Government of Barbados has now, as it were, moved in and is assuming major responsibility for the short-term, medium-term and, hopefully, long-term fortune of LIAT. It is now a 43 per cent shareholder in LIAT, it has four of eight directors on the Board and I believe that the Chairman of the Board is also a Barbadian. I have heard quite a bit of euphoria being spun as a result of the fore-frontal role of Barbados in the fortunes of the airline. I hope we are not becoming too delusional in our belief that because Barbados is assuming the role which it is assuming that the airline's fortunes are going to change overnight. Let us not forget that the regionally-owned and Barbados-based Caribbean Airways, virtually collapsed because of the monstrous accumulation of losses over a number of years and that Caricargo, jointly owned by the Governments of Barbados and Trinidad, suffered a similar fate.

There is nothing magical about the involvement of Barbados in the way in which it is now involved in the fortunes of LIAT and some critical decisions will have to be made. We have to decide whether LIAT is going to be treated as a commercial entity ran along strict business line and, therefore, proceeding, counting not the cost, heeding not the wound, seeking not for rest but only asking for financial reward or will LIAT be treated as providing a regional service, facilitating the movement of people in this region within the context now a Caribbean Single Market and soon to be a Caribbean Single Economy and, therefore, providing this service on the understanding that Governments in the region will be able to subsidise it as it provided this service of facilitating the movement of people in this region.

Sir, that issue cannot be escaped from and, I wait with bated breath to hear what are the plans for LIAT in terms of

its restructuring. I use that word hesitantly because, I am aware that in the Caribbean whether you are talking about public institutions or private institutions, when they run into crisis and you do not know what to do about them or you do not know what you are doing, you either say that you are rationalising them or restructuring them but the words, quite frankly, have very little meaning in terms of the results that we are wont to see after these grandiose expressions of contention.

Mr. President, I think that if regional Governments are committed to the preservation of LIAT as a regional carrier, facilitating the movement of people in this region and binding us more closely together, we have to determine on what terms that preservation is going to take place. Sir, our commitment, as a Party, on the issue of air regional transportation is incontestable because we have a history of commitment to the promotion of regional air transportation.

Mr. President, I have said before, that we were in office when LIAT (1974) Limited was incorporated and established and we played a fore-frontal role in solidifying the airline in those early years. Of course, BWIA has suffered a similar fate in 1961, when its parent company, British Overseas Airways Corporation (BOAC) suddenly announced that it was getting out of business in the Caribbean and the Federal Government, as it was at the time, tried to mobilise members of the Federation and other regional Governments but failed and, therefore, the Government of Trinidad & Tobago became stuck with BWIA from then until now, which is having its own problems as well.

Sir, yesterday I heard the Prime Minister of Trinidad and Tobago sounding a warning to the people of the region that he could not assure the people of the Caribbean that the Government of Trinidad and Tobago was going to be pumping any additional substantial sums of money into LIAT. He said he was prepared to carry recommendations to the Cabinet of Trinidad and Tobago but could not guarantee that the Cabinet of Trinidad and Tobago could be minded to saddle the people of Trinidad and Tobago with the woes of LIAT any longer.

Mr. President, there are challenges facing the airline and when all the euphoria of Barbados' involvement dies down and the fact that we have four out of eight members on the Board and a Barbadian Chairman, some tough decisions would have to be made but made, I hope, bearing in mind the importance of deepening the integration movement in the Caribbean and facilitating that intercourse so necessary for the preservation of this region as a unit.

Mr. President, we on This Side do not oppose the Bill. We understand its intention and we hope that in the

foreseeable future that we could be given some kind of blueprint as to how LIAT intends to proceed and how Caribbean people can be assured that it can become less burdensome on their pockets than it had been over the last few years.

Mr. President, I am obliged to you.

Mr. PRESIDENT: Senator Marville.

SENATOR R. O. MARVILLE: Mr. President, I am a little bit sadden by the fact that sometimes we do not get these Bills at home before we get here to deal with them. Sir, fortunately this was a short Bill and the issue was aired in the Other Place yesterday, so one had some idea of what it was all about. Sir, the Honourable Minister mentioned the matter of leasing aircraft as one means of functioning, as I understand it. I have had some experience with civil aviation. Mr. President, leasing is a temporary measure normally. Major airlines do not lease except in circumstances of increased loads. They usually own the aircraft. It is, however, in smaller airlines a matter of under-capitalisation.

12.00 noon

Sir, I have had intimate experiences with one airline before. In fact, that was the occasion when I got involved in the question of civil aviation. It was Caricargo, which had two perfectly viable aircrafts and did a rip-roaring trade between Miami, Barbados and Trinidad. The problem, however, it was undercapitalised when the United States of America imposed legislation, that required Caricargo to fit hush kits, but did not do the same thing for the supersonic airlines that were in use, because they were also military aircraft. Sir, Barbados and Trinidad had to look for US\$10 million to outfit the two airlines. They could only come with the outfitting of one aircraft which meant that, ultimately, that aircraft was grounded and the flow of traffic which was not so profitable could not continue. In fact, the airline was making a profit on the basis of its expenditure, but the debt that it incurred could not be paid off.

Sir, I am saying that although I commend the Government for trying to keep LIAT afloat, because I can see the importance of the airline to the region, I am worried about two things. First, the question of efficiency. Sir, LIAT has been known to be inefficient throughout the region. In fact, the word LIAT sounds rather like the Kittian pronunciation of the word late. In fact, they do say better LIAT than never.

Sir, the point that I am making is, the competition to LIAT is almost invariably on time. We have to do something to get LIAT on time. I think beyond that Government, having made the first effort, must now make the second. We really need seriously to talk to the other countries of the region, about making a real effort at capitalising the airline,

so that it does not have to constantly come back for monies, here and there, to pay off debts.

Sir, other than that, all I have to say is that I support the Bill.

Mr. PRESIDENT: Senator Husbands.

SENATOR Miss S. C. V. HUSBANDS: Mr. President, I rise to support the Bill that is before us pertaining to providing funds for LIAT. The viability of this airline is extremely important to the region, as outlined by my Colleagues. Its rationalisation is therefore going to be a matter that we need to pay careful attention to, because it forms part of the wider issue of transport within the region of CARICOM. One of the things that I am extremely concerned about, from a business point of view, is unless we are able to come up with a whole transport programme to aid CARICOM, to facilitate trade across the region, our efforts at forming the Caribbean Single Market and Economy are going to be in vain, if we cannot assist in the movement of goods and services across the region. Hence, the need for LIAT to be a part of this mix, and LIAT becoming viable as an important part of this programme.

Sir, one of the serious disadvantages that small nations have, especially small island States, is the fact that the economist determines whether an economy can grow, by its ability to move its goods and services at a competitive price, in order for the economy to earn foreign exchange. Mr. President, for small vulnerable States like ours the cost of transport has been identified as one of the major reasons – the remoteness from large populations like North America, Europe or India – which makes it extremely difficult for us to build competitive businesses.

Therefore, I am extremely concerned that as a region, I am not speaking of Government, too often people feel that the transport problem impacting on the region is strictly a governmental matter. This matter definitely requires the private and public sectors to work together to arrive at an appropriate programme to ensure that we can facilitate trade and movement, at competitive prices.

Sir, therefore, if the cost of transport in this region is going to be higher than normal than, for example, India or North America, efficiency will be of greater importance, to minimise the impact of rising cost.

Mr. President, we know that the rising cost in the region is seriously impacting, not just here in the Caribbean but it is impacting airlines across the world. A lot of them are making severe losses. They are cutting, laying off people, retrenching and retooling, in an effort to keep their airlines in the sky. Some are moving to low-cost

budget flying. I am not sure that customers appreciate or enjoy it, but these are some of the methods that airlines have had to use to stay in the sky.

Sir, I do not want us as a people to begin to think that there is anyway we can run LIAT, without putting enough money into capitalising, and increasing its efficiency, and to be prepared from time to time, to give it some support, because running an efficient and cost-effective airline is extremely difficult. A lot of people are not aware of the cost of fuel that goes into running an airline. If you have an airline that is making short stops and constantly landing and taking off, the fuel cost is going to be enormous, because it takes more fuel to lift off, than it does to fly between the two points.

Mr. President, tyres alone on an aircraft for LIAT cost approximately \$7 000 every two weeks. You have to change tyres every two weeks. As a result the cost of operating makes it very difficult to be competitive. Hence, we have to look at the other elements of the operations that we can improve to increase the efficiency and reduce wastage in other areas, to contain the enormous cost of running an airline.

Sir, I want to sound a warning, that it is not only important to Barbados in terms of tourism and trade; it is very important that the OECS and Barbados now find themselves in a situation, a monopolistic situation, in the provision of air transport services. That is why it is important for LIAT to remain in the sky. However, when we say that, the other Governments have to recognise, that it is as important to them as it is to us, therefore, all of us have to pull together to make sure that LIAT stays alive.

Mr. President, for small businesses, the capacity to engage in trade, if you are going to make the Caribbean Single Market and Economy work, and allow small businesses to function well within the CARICOM space, the ability to move goods is going to be important. We have in the Caribbean a catch twenty-two situation. Sir, when people start to produce, they say that they do not have economic cost-effective transport, to move goods throughout the region, so they do not produce for the region. The airline says that they do not have enough trade, viable for additional flights or to reduce our prices, so there is no trade or transport. If you do not have transport you do not have trade.

Sir, the question is, what should we deal with first. Should we seek to promote trade first or should we seek to put transport in place, to make trade a reality. That is something as a region we have to look at. I think that a serious study needs to be done in the region, of goods and services, that have the potential for movement. What are the possible returns on the movement of that trade if there was full transportation?

Mr. President, I think that information needs to be disseminated across the private sector, so that the private sector will begin to realise that they might actually benefit or profit from investing in transport within the region, for at some point in time, we have to solve this issue of trade, through the Caribbean Single Market and Economy, if it is going to be a reality.

Mr. President, we have been seeking within the region, in terms of the promotion of trade, which would depend very much on being able to move it via LIAT, that is the Caribbean Association of CSMEs has been looking at the possibility of bringing a number of small businesses together in Trinidad, Guyana, St. Vincent, St. Lucia, Grenada, Antigua, Jamaica and Barbados. Very shortly we are going to add places like Dominica, St. Kitts and Belize to that mix. 12.10 p.m.

Sir, we are looking to see what are the trade opportunities across the region, but without some kind of regional airline or shipping company to be able to move the goods, those efforts are going to be in vain and it would make a nonsense of our efforts at CSME. I really want to encourage the Government in this particular effort to get LIAT on the ground, viable and rationalise LIAT. Therefore, I think that if we are going to make this critical investment into LIAT, it is very important that we look at the issue of performance.

One of the things that LIAT suffers from is the challenge with timeliness which creates havoc for business people who move across the region. Right now, we have a number of professional service providers who move across the region offering their services. They need to have an airline that is on time, an airline that will get them there when they say they are going to get them there, so that you can meet your appointments and commitments.

The truth is, we should be able to use LIAT like a bus. People should be able to get on LIAT in the morning, go out and do business, come back in the evening and be with their families. We should be able to move with ease across the region, in order to be able to transact business. We need to stimulate that, so that if you get more movement across the region, you can reduce the cost, which makes it easy for people to work any part of the region, because they can move, come and go with greater ease.

I am glad that we are making this investment to LIAT at this time, but what I am particularly concerned about is that I do not know if there is enough time to do the turnaround, in terms of efficiency. I think that they need to do whatever is required. They need to get on board the types of human resources that will aid them in being able to

turn the airline around and make it efficient. We have Cricket World Cup 2007 coming up, and we have to be able to move people across the region at a very rapid rate. If we are unable to do that efficiently, again we are going to create havoc, and create a bad name for ourselves, and cause Cricket World Cup 2007 to highlight our weaknesses, as opposed to showcasing a region that is the preferred place to work, to live, to visit, to do business.

Therefore, I really want to urge that as we take up the position of seeking to finance it, we take seriously our responsibility to create the efficiency in LIAT that it can provide the type of service that would make a difference to this region.

One of the things that we are hoping to have come out of Cricket World Cup 2007 is that, based on the South African experience, where they saw an increase in their tourism of between 5 per cent to 8 per cent in the additional year, coming out of World Cup, if the region were to experience that kind of growth in its tourism numbers, an efficient airline, again, is going to be important. We cannot have LIAT sabotaging those tremendous efforts that will come out of World Cup.

Therefore, it is very important that we bite the bullet, and there may be some very hard decisions that we may have to take, whether it is restructuring in terms of the numbers of staff, the type of staff, the performance requirements, the accountability systems, and whatever it is we have to do, we have to do it, we have to do it now and we have to do it well. If we fail to do that, we are going to jeopardise the possibility for this region to truly build out its economic partnership in the CSME, and we are going to make it very difficult for our small business to grow, and we are going to hinder our growth in tourism.

I really want to commend the Government for the foresight, their commitment to LIAT but I want to say that we must sit down and make sure that this airline operates properly to provide the returns to the citizens of Barbados for the money that is going to be spent on it, so that we can get the benefits coming from trade and tourism.

I am very much obliged to you, Mr. President.

Mr. PRESIDENT: Senator Grant.

SENATOR R. W. GRANT: Thank you, Mr. President. I rise to give my support to this Bill. Sir, no one can question the importance of LIAT to Barbados, with respect to its regional transportation in relation to our tourism sector. In fact, LIAT provides our transports, in the vicinity of 55 per cent of regional traffic. The Government of Barbados remains committed to ensuring that LIAT continues to function as a commercially viable airline.

Mr. President, I wish us to recognise that, as we debate this Bill, the issues relating to LIAT's financial performance did not start today. In fact, I agree totally with the comments made that LIAT has been under-capitalised, but I would want this Chamber to also remember that throughout the years, LIAT, particularly in the last three to five years, has been engaging in activities and functions to seek to ensure that the airline is more commercially viable.

We would recall, Sir, that between 2002 and 2004, BWIA and LIAT formed the strategic alliance, which was to facilitate LIAT's marketing, sales, its revenue management, and its advertising functions. In effect, Sir, the revenue relation aspects for LIAT were centred in BWIA. In 2004, that relation came to an end. It means that LIAT had to incur cost in setting up a new system.

Mr. President, a series of crisis meetings would have resulted from that and from the financial situation which LIAT found itself. This Chamber will recall that financial support was provided to LIAT by the Governments in the region to the tune of EC\$21 million, and then a further EC\$44 million was provided by the CARICOM Petroleum Stabilisation Fund.

I made reference to those, Sir, because we have to recognise that LIAT, in its quest to restructure, LIAT in its quest to become more commercially viable, has had to face significant challenges. In fact, in relation to the EC\$44 million, LIAT had to make the determination, as to how the restructuring of LIAT should be undertaken. The options looked at what would have been liquidation, the option of filing for Bankruptcy Protection under our legislation, as well as in formal restructuring.

Mr. President, at the time, it was recognised that the cost of liquidating LIAT was in excess of EC\$2 million. It was also recognised that to go the option of bankruptcy was not certainly in the best interest, not only of LIAT but, more important, in relation to some of the commercial entities that were underwriting some of LIAT's cost.

Sir, the option of the informal restructuring of LIAT was pursued. This included a number of elements. There was crisis stabilisation. There was the objective to seeking to reduce LIAT's cost base, the refurbishment and expansion of LIAT's fleet, route rationalisation, and seeking to enhance the business culture of LIAT, by transforming that business culture to ensure that they were able to deal with the inefficiencies that exist. Mr. President, these aspects of the restructuring of LIAT have been with varying successes.

Mr. President, we will recall that at the beginning of this year, LIAT faced a significant challenge negotiating with its pilots because the pilots had not have an increase

in salary for in excess of five years and there was a sick-out. This sick-out led to LIAT losing some EC\$1.4 million. In fact, the load factors that LIAT has for this year, are significantly lower than that for last year. I believe that January and February would have been in the vicinity of 44 per cent, and March would have been 49 per cent. In effect, it was compounded by the fact that there was that sick-out. 12.20 p.m.

Mr. President, when there is uncertainty, an airline is not only affected in terms of its bookings today, it is also affected by way of its forward bookings. Mr. President, I would want this Chamber to remember as well that LIAT sought to move from being a legacy carrier to being a low-cost carrier, but that in itself provided a challenge for LIAT.

Sir, when LIAT moved from what was known as the Sabre System to the Navitaire System, there were some technical difficulties which they had to face, which resulted again in some difficulty with LIAT being able to move to that low cost carrier. Sir, they are still on target having worked out the challenges that they have had with their reservation booking system to be able to become a low-cost carrier.

Mr. President, I take the point raised in relation to LIAT's efficiency, and I would want to remind this Chamber that on January 1, there was a meeting between the lead Prime Minister of Transport in CARICOM and the Prime Minister of Barbados. Sir, coming out of that meeting, there was a Press Conference, where the Prime Minister of Barbados stated very clearly that it cannot be business as usual for LIAT. That was at the time when the Government of Barbados gave its commitment to provide US\$10 million and the Government's shareholding in LIAT increased to some 43 per cent, but the recognition then was that LIAT could certainly not continue to function in the same manner in which it had been functioning before.

Sir, since that time, LIAT has had a rationalisation of its routes which has not been fully completed. Sir, there are some countries served by LIAT which do not provide the level of financial support that LIAT may require and that may be necessary as part of a shareholder of LIAT. Mr. President, we also have to ensure that those countries within CARICOM, particularly now as we speak of the CARICOM Single Market and Economy, that benefit from LIAT, come to the table. I am not suggesting in any way that necessarily has to be done by way of cash, there are other methods that can be employed.

Mr. President, I think the recognition has to be that LIAT, as a regional carrier, significantly benefits a number of CARICOM countries. I think it is important that recognition is observed and that countries within CARICOM

function in a way that would provide the necessary assistance to LIAT.

Mr. President, during the debate of the Estimates of Revenue and Expenditure, I spoke a bit about air transportation. Airlines throughout the globe are facing economic challenges. I remember saying during that debate that bankruptcy had become a buzzword, and I spoke of the number of airlines. We must recognise that within the CARICOM region there are challenges which our airlines face as well, whether it is BWIA, Air Jamaica, Cayman Air or LIAT.

Sir, we have to recognise, particularly for a country such as Barbados where we depend significantly on air transportation to support our tourism sector, that we have to give the necessary support particularly when the airline in the first instance was undercapitalised.

Mr. President, there are some Phase two elements as well which have to be implemented in relation to the restructuring of LIAT, and it is ongoing. Sir, every time that LIAT makes a move forward, it is always in a situation where it has to confront challenges, that is the reality.

Mr. President, we are looking at a LIAT that is trying to provide for greater efficiency through the creation of a commercial operation in Barbados. We, in this Chamber, are aware that LIAT is based in Antigua but there is a commercial division which LIAT must put in place. We may question why it is that that division has not been functioning in the past, but that division will be put in place. I am told that the Board of Directors of LIAT would have met a week ago and they would have had some interviews with individuals and they have evaluated to determine who that individual would be, that would be based here in Barbados. I am told that there would be a staff of some five persons in that commercial division.

Mr. President, the restructuring of LIAT should not always require LIAT to come to the shareholder governments for financing. LIAT, once it is able to complete Phase I of its restructuring, must seek to have third-party equity financing and support, that is critical. However, what must happen first is that LIAT must be able to achieve Phase one.

Mr. President, let us speak briefly to some of the elements because this reserve maintenance has contributed to LIAT's cash flow difficulties. Part of maintenance guarantee requires that LIAT provides some US\$50 000 per month to Bombardier Services Corporation. Sir, I believe it was in May 2005 that Bombardier Services Corporation provided some correspondence to LIAT. That correspondence communicated that with a Government

guarantee, LIAT for the first 12 month would pay US\$247 000 each month and for the next 12 to 24 months would pay US\$172 000 to Bombardier Services Corporation. Sir, without the guarantee, that increased to US\$445 000 and US\$370 000 respectively.

Sir, as the Minister and acting Leader of Government Business indicated this morning, September 11, has had an impact in the manner in which reserve maintenance guarantees are dealt with. Sir, I remember well saying on September 11, as I watched the unfortunate scenario unfold, that today is the day that the world changed. Sir, it is now a requirement that instead of simply putting within the financial statement of the airline that amount of money necessary to cover the guarantee that there has to be that payment into an escrow account.

Sir, with this Government guarantee, and I should point out as well, and a guarantee that will come from the Government of Antigua and Barbuda, LIAT will be able to have its cash flow position enhanced.
12.30 p.m.

Mr. President, I want to speak briefly to the future because LIAT has approximately 18 landings in Barbados, and system-wise, LIAT has 110 landings. As I indicated, 55 per cent of the regional traffic is brought here by LIAT. Sir, if tomorrow comes and LIAT were not able to fly or were not flying, for whatever reason, we would then have a serious problem in relation to the transportation of people within the region because the competition would not be able to deal immediately with the excess passengers and, therefore, it would have an economic severe impact on Barbados.

Mr. President, there are also issues which I believe a competitive environment provides to the benefit of consumers, that a monopoly environment does not. Very often, in a monopoly environment, one recognises that prices are somewhat higher than they normally would have been, in a competitive environment. Sir, I do think that LIAT has a significant role to play.

Mr. President, I would want to mention the fact that with LIAT seeking to have its fleet enhanced, by moving from Dash 8 aircrafts which, in the past, would have facilitated approximately 35 passengers, to Dash 8-311 that can now facilitate 50 passengers. It is seeking to become more economically viable.

Mr. President, this guarantee, therefore, provides the opportunity to allow LIAT some breathing space, as it relates to its cash flow. Sir, with the measures already taken in Phase one and the Phase two measures that now have to be taken, coupled with the fact that once LIAT is in a position

of having those Phase one aspects that have been identified, such as the reduction of its cost base, aspects relating to the route rationalisation, refurbishment of its fleet, the establishment of the commercial division and utilising the services of a change-culture company, in order to deal with some of the weaknesses in the areas of attitude and services quality and productivity, then LIAT can go to the market, to seek to have its financing.

Mr. President, with those few words, I give my support to this Bill. I thank you.

SENATOR THE HON. Miss L. V. EASTMOND: Mr. President, I wish to thank all Honourable Senators for their contribution, specifically for their support of this Bill. I wish only to make one point, which has been alluded to by Senator Grant. Sir, with respect to the Government's relationship with LIAT and the fact that we have increased our shareholdership to 43 per cent, is not a matter that we have entered into lightly, neither is it a matter that we felt there was any cause for great euphoria. We understand the airline industry is a very difficult one and our emphasis on the commercialisation of the operations, within the context of ensuring that it is a viable business operation, is an issue that has been at the forefront of all of our discussions.

Mr. President, therefore, the investment in LIAT was not seen as any great triumph, certainly from this Government. In fact, within the context of which Senator Stuart spoke, I think it was his Party who were somewhat euphoric about entering the airline industry in those days.

We recognise that having appropriate transportation within CARICOM, in pursuit of the CARICOM Single Market and Economy is essential. It is not something that we could toy with, and we view it in that regard.

Mr. President, I would, therefore, wish to move that this Bill be read a second time.

The question was put to the Senate and agreed to.

On the motion of SENATOR THE HON. Miss L. V. EASTMOND, the Senate resolved itself into Committee on the Bill, HER HONOUR SENATOR Dame PATRICIA SYMMONDS in the Chair.

COMMITTEE

Madam DEPUTY PRESIDENT: This Senate is now in Committee.

Clauses 1 – 4 were called and passed.

The Schedule was called and passed.

On the motion of SENATOR THE HON. Miss L. V. EASTMOND, Madam CHAIRMAN reported to HIS HONOUR PRESIDENT, the passing of Bill in Committee and Mr. PRESIDENT resumed the Chair and reported accordingly.

On the separate motions of SENATOR THE HON. Miss L. V. EASTMOND, the Bill was read a third time and passed and cited as the LIAT (1974) Limited Guarantee Act, 2006.

ADJOURNMENT

SENATOR THE HON. Miss L. V. EASTMOND: Mr. President, we have now come to the end of Government Business for today. I, therefore beg to move that this Sitting be now adjourn *sine die*.

The question that the Honourable SENATE do now adjourn sine die was put to the Senate and agreed to and Mr. PRESIDENT adjourned the Senate accordingly.
12.39 p.m.

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SPEAKERS IN THIS ISSUE

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MARVILLE, Senator R. O.
STUART, Senator F. J.