

Pilots bid for Air Jamaica

The Jamaica Airline Pilots Association (JALPA) is now awaiting a reply from the Government after last week submitting a bid to acquire Air Jamaica which the administration says it must take off the budget before the end of this year.

According to JALPA president Captain Russell Capleton, the association, which comprises the airline's 140 pilots, is spearheading the acquisition effort on behalf of the national carrier's staff.

"We have proposed that we acquire the airline, and this is coming on the heels of the Government stating that the cost of divesting the airline was expensive," Captain Capleton told the Observer yesterday.

In August, Prime Minister Bruce Golding had disclosed that it will cost his administration close to US\$200 million to divest Air Jamaica. Included in that cost will be US\$30 million in redundancy payments in addition to bills owed by the carrier.

Captain Capleton said JALPA submitted its bid after first informing the Government of its interest in writing in August this year and receiving "a kind response" to put in a proposal.

But the pilots have now grown concerned after hearing Dennis Lalor, chairman of the Air Jamaica Privatisation Committee, saying in a CVMTV interview last week that the committee has eliminated all bidders except Indigo Partners, owners of Spirit Airlines, and that the committee will submit its recommendation to the Government within the next two weeks.

"What is of particular concern to us is that we are hearing that there is no other expression of interest or proposal," Captain Capleton told the Observer.

But last night, a Government source close to the divestment negotiations said that the JALPA submission was "an expression of interest" and not a formal bid.

"We submitted it to the prime minister, the minister of finance, the chairman of the privatisation committee and the chairman of Air Jamaica," he said.

He said that JALPA met a few months ago with Lalor who asked them to wait until October as he was in advanced discussions with Indigo.

"He never got back to us, so we went ahead and submitted our bid. It states clearly how we plan to proceed," said Capleton.

Essentially JALPA's bid will give the Government a considerable extension on the time it will need to find the US\$400 million it will cost to rid itself of the airline, while injecting capital into the ailing carrier.

Captain Capleton noted that early in the divestment process, the Government had indicated that any buyer would have to participate in the existing debt. However, later the administration indicated that it would keep the debt, as it apparently

believes it cannot afford the risk involved in operating the airline.

Upon realising that this option was available, JALPA entered its bid.

At stake for the Government is that it won't have to find upfront the total debt – estimated by it to be US\$400 million to cover debentures, trade debt and redundancy cost – which, under an adverse change clause, it is required to do almost immediately after change in ownership.

By Captain Capleton's reckoning, this will cut the upfront cost to the Government by two-thirds and bide it time to find the rest of the money.

JALPA, which will have to inject capital equivalent to between 30 and 60 days of operating expenses, is willing to assist with the restructuring and give the Government time once the state is willing to guarantee coverage of the existing debt.

Capleton anticipates that if the bid is successful the airline would maintain the current routes. And while he admitted that a manpower needs assessment was necessary, he said it could not be done in this climate while the divestment process is ongoing.

Source: Jamaica Observer