

*Leave of Absence**Friday, January 20, 1995***HOUSE OF REPRESENTATIVES***Friday, January 20, 1995*

The House met at 1.30 p.m.

**PRAYERS**[MADAM SPEAKER *in the Chair*]**LEAVE OF ABSENCE**

**Madam Speaker:** I have granted leave of absence from today's sitting to the Member for Caroni Central (Mr. Raymond Palackdharrysingh).

**PRIVATE BILLS (COMMITTEES)**

**Madam Speaker:** I also wish to announce the reappointment of the following Members to the Special Select Committees. They are as follows:

**Faith International Baptist Convention (Inc'n) Bill**

Dr. Rupert Griffith (Chairman)

Mr. Andrew Casimire

Mr. Desmond Allum

Dr. Carl Singh

**Flaming Word Ministry (Inc'n) Bill**

Dr. Rupert Griffith (Chairman)

Mr. Jarrette Narine

Mr. Edward Hart

Mr. Chandresh Sharma

**Universal African Improvement Association (Inc'n) Bill**

Dr. Rupert Griffith (Chairman)

Mr. Jarrette Narine

Mr. Andrew Casimire

Mr. Chandresh Sharma

**Glory Church (Inc'n) Bill**

Mr. Jarrette Narine (Chairman)

Mr. Desmond Allum

*Private Bills (Committees)*

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Mr. Hedwige Bereaux

Mr. Raymond Palackdharrysingh

**Greater Malabar Christian Centre (Inc'n) Bill**

Mr. Desmond Allum (Chairman)

Mr. Jarrette Narine

Mrs. Eulalie James

Mr. Raymond Palackdharrysingh.

**PETITIONS**

**Opus Dei Prelature of Trinidad and Tobago**

**Mr. Desmond Allum:** Madam Speaker, I wish to present the petition on behalf of the Opus Dei Prelature of Trinidad and Tobago of 9 Sweet Briar Road, St. Clair, Port of Spain.

I now ask that the Clerk be permitted to read the petition and that the promoters be allowed to proceed.

*Petition read.*

*Question put and agreed to,* That the promoters be allowed to proceed.

**House of Prayer, Churches, Shrines,  
Healing and Theological School**

**Mr. Desmond Allum:** Madam Speaker, I wish to present the petition on behalf of the House of Prayer, Churches, Shrines, Healing and Theological Schools, of 53 Mohammed Trace, Tunapuna.

I now ask that the Clerk be permitted to read the petition and that the promoters be allowed to proceed.

*Petition read.*

*Question put and agreed to,* That the promoters be allowed to proceed.

**PAPERS LAID**

1. Audited financial statements and report by the auditors of the Trinidad and Tobago National Petroleum Marketing Company Limited for the year ended March 31, 1994. [*The Minister of Finance and Tourism (Hon. W. Mottley)*]

*To be referred to the Public Accounts (Enterprises) Committee.*

*Papers Laid*

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2. Report of the Supervisor of Insurance for the year ended December 31, 1993. (*Hon. W. Mottley*)

**1.40 p.m.**

**ORAL ANSWERS TO QUESTIONS**

*The following questions stood on the Order Paper:*

**Point Lisas Companies  
(Safety Precautions)**

- 33.** (a) Could the hon. Minister of Labour and Co-operatives state what protective measures (if any) have been taken and what safeguards (if any) are in place in the operations of the companies at Point Lisas to prevent injury to life and damage to property, of residents of Couva and the surrounding areas in the event an emergency arises as a result of the escape of poisonous gases or substances or chemicals or any other matter?
- (b) Could the Minister say whether there is any risk of the escape of any toxic fumes, gases or chemicals from any of the plants at Point Lisas?  
*[Mr. R. Maharaj]*

**Minister of Social Development  
(Matters to be Implemented from 1994 Contribution)**

- 42.** (a) During the budget presentation for the 1994 Appropriation Bill on December 1, 1993, the hon. Minister of Social Development made reference to the following:-
- (i) Survey on poverty;
  - (ii) Comprehensive report on the codification and compiling of child and family laws in Trinidad and Tobago;
  - (iii) Survey which examines the factors affecting probationers;
  - (iv) Report on the juvenile delinquent and youth crime;
  - (v) Report on the needs of the rural elderly;
  - (vi) Report and recommendations of the National Committee on Social Rehabilitation; and
  - (vii) Survey on the non-mentally ill, homeless and socially displaced in Trinidad and Tobago.

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Could the Minister indicate whether these reports will be tabled in Parliament? If so, when?

- (b) Could the Minister indicate whether the formal foster care system which she mentioned in her 1994 budget presentation has been established? *[Mr. R. Maharaj]*

#### **Computer Programme Software Package**

49. Could the Minister of Health state whether the Principal Medical Officer in the Ministry of Health utilized the Ministry's computer facilities, personnel and other resources to develop a computer programme software package which he is now endeavouring to sell to the Ministry of Health? *[Mr. T. Sudama]*

#### **WASA Report (MCT and Associates Ltd.)**

51. Could the Minister of Public Utilities state:
- (a) What was the cost of the preparation of a study on the Water and Sewerage Authority (WASA) titled "Organisational Diagnosis Report" by MCT and Associates Ltd., which was conducted during the period November 9, 1992 to June 20, 1993?
- (b) What were the main findings of the report?
- (c) Whether the report will be laid in Parliament? *[Mr. T. Sudama]*

**The Minister of Trade and Tourism and Minister in the Ministry of Finance (Hon. Kenneth Valley):** Madam Speaker, the Government will answer all questions on the Order Paper except questions Nos. 33, 42, 49 and 51. We are asking for a deferral of one week.

*Questions, by leave, deferred.*

**Mr. Sudama:** Madam Speaker, I wish to make a query. Last week when we met, there were three questions on the Order Paper in my name. They were questions Nos. 5, 46 and 47. If I recall correctly, these questions were deferred for one week and I expected them to be answered today. I do not see them on today's Order Paper and I am wondering whether these questions were permanently deferred.

**Madam Speaker:** The Clerk advises me that they were deferred for a period of two weeks.

### Water and Sewerage Authority

**19. Mr. Sahid Hosein** (*Siparia*) asked the hon. Minister of Public Utilities:

Can the Minister indicate to this House when the Water and Sewerage Authority will undertake the following works:

- (a) Laying of a new 16 inch main from the Barrackpore Police Station to the Clarke Road Booster?
- (b) Laying of new mains at Katwaroo Trace?
- (c) Refurbishing of the Penal Water Works?
- (d) Replacing of the AC mains referred to as the Daisy Mains along Cottage Road and Rochard Road?

**The Minister of Energy and Energy Industries and Minister of Public Utilities (Sen. The Hon. Barry Barnes):** Madam Speaker, the Water and Sewerage Authority has advised that the 16-inch diameter pipeline from Barrackpore Police Station to Clarke Road Booster Station is scheduled to be laid during the first quarter of 1995, along with the laying of new mains along Katwaroo Trace.

With respect to the refurbishment of the Penal Waterworks, the Authority has advised that a full-scale replacement project is included under its three-year medium-term rehabilitation programme. As a short-term measure, however, WASA is undertaking some rehabilitation work at the Penal Waterworks, together with the reactivation of the Penal Wellfield, to bring an improved supply to the area.

With regard to the replacement of the AC mains along Cottage Road and Rochard Road, the section of the old Daisy Main which existed along the Cottage Road was replaced by a 12-inch PVC transmission main some 10 years ago. However, some sections of the old 12-inch AC Daisy Main have been retained to serve as distribution mains. These sections are scheduled for replacement as part of WASA's medium-term rehabilitation programme.

### Divestment of Real Estate Holdings (Trintoc/Trintopec)

**27. Mr. Sahid Hosein** (*Siparia*) asked the hon. Minister of Energy and Energy Industries:

Can the Minister indicate to this honourable House:-

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- (a) What plans does Petrotrin or the Government have for divesting the real estate holdings of Trintoc and Trintopec which were not vested in Petrotrin?
- (b) What mechanism is going to be employed to ensure that there is transparency in this divestment process?
- (c) If any such holdings have been divested, to whom, and at what price?

If the answer to (c) is in the affirmative, can the Minister indicate the procedures involved?

**The Minister of Energy and Energy Industries and Minister of Public Utilities (Sen. The Hon. Barry Barnes):** Madam Speaker, the real estate holdings of Trintoc and Trintopec comprise residential lands and buildings, agricultural lands, clubs and recreational facilities. It is proposed that these assets be divested on the open market.

The divestment of these assets is being co-ordinated by the Government Divestment Secretariat in collaboration with the board of directors of Palo Seco Agricultural Enterprises Limited. Palo Seco Agricultural Enterprises Limited, in conformity with procedures approved by the Central Tenders Board of the Government, will be inviting tenders on the open market for the purchase of these assets. A summary of the tender procedure is hereby given to the Clerk of the House for the information of hon. Members. Further, Government will be reporting to the House periodically on the status of the divestment of these real estate holdings.

To date, there have not been any sales of real estate holdings. However, two properties in Port of Spain have been offered for sale to the existing occupiers, and these transactions should be concluded by the end of January, 1995.

**Mr. Hosein:** Can the Minister indicate which two properties have been offered for sale?

**Hon. B. Barnes:** As I understand it, these are two residential properties in Beaumont Road, Maraval, which were on long-term lease, with the option of first refusal by the occupiers. I think that is basically the position.

#### **La Brea Industrial Estate**

**30. Mr. Sahid Hosein** (*Siparia*) asked the Minister of Energy and Energy Industries:

Can the Minister indicate to this honourable House:

- (a) What preparatory works are required to bring the La Brea Industrial Estate up to the standard required of such an estate and the estimated cost of such works?
- (b) What processes did the National Energy Corporation (NEC) use to select the contractors and award contracts for the preparatory works being undertaken, or to be undertaken, at the La Brea Industrial Estate?
- (c) The name of the contractors and/or consultants involved in the works referred to in (b) and what aspect of work is being executed, by whom, and at what cost?

**The Minister of Energy and Energy Industries and Minister of Public Utilities (Sen. The Hon. Barry Barnes):** Madam Speaker, the works required to bring the La Brea Industrial Estate up to the standard required of such an estate, include the following:

- (1) Site remediation and preparation work;
- (2) Harbour, dock and pier construction.

The estimated cost of these works is TT \$256 million. This figure does not include site preparation for the LNG project, which is being developed separately. The cost of additional works in bringing to the estate essential utilities services—water, natural gas, electricity and roads—is estimated to be TT \$150 million.

At this time, no contract has been awarded by any government agency or state corporation for infrastructural works at the La Brea Industrial site.

**Mr. Humphrey:** Madam Speaker, the Member for Couva South has asked me to request the answer to this question as he is marching on the pavements, seeking water supplies for his constituents.

#### **Emergency Cases Grants**

**43. Mr. John Humphrey** (*St. Augustine*) on behalf of the hon. Member for Couva South (Mr. Ramesh Maharaj) asked the Minister of Social Development:

Could the Minister provide the list of names and addresses of persons who have applied and received grants under the Emergency Grants established by her Ministry?

**The Minister of Social Development (Dr. The Hon. Linda Baboolal):** Madam Speaker, emergency grants are normally administered by the Ministry of

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Social Development to needy persons, including recipients of old age pension and public assistance as follows:

House repairs	\$3,000	(this is the maximum rate)
Household help for disaster victims	\$1,500	
Medical Equipment	\$1,500	
Home help per month	\$200	
Dietary Grant	\$200	
Clothing biannually:		
One adult or child	\$200	
Two children	\$300	
Three children	\$400	(that is together)
Pharmaceuticals	\$300	
School text books	\$500	
House Rent	\$900	

During the year 1993 a total of \$182,980.15 was expended in effecting grants of one kind or another to 158 persons. During 1994, up to December 21, the sum of \$156,002.87 was expended in grants to 124 persons.

Members of the House are asked to note that in consideration of the Government's responsibility to preserve the dignity of its clients and to promote their rehabilitation, confidentiality regarding their claims and grants is maintained. The Government does not consider it appropriate to disclose details regarding names and addresses of persons who have applied for and received grants under the Emergency Cases Grants.

**Statement of Account**  
**(Central Bank of Trinidad and Tobago)**

**48. Mr. Trevor Sudama** (*Oropouche*) asked the hon. Minister of Finance and Minister of Tourism:

Could the Minister state:

- (a) The current figure of advances to Government not identified elsewhere in the item "Other Assets" in the weekly Statement of Account of the Central Bank of Trinidad and Tobago?



- (b) What are the legal limits for borrowing by the Government from the Central Bank, and what are the legal limits for the holding of Government's securities under the following sections of the Central Bank Act and what are the amounts currently outstanding:
- (i) Section 46
  - (ii) Section 47; and
  - (iii) Section 33

**The Minister of Finance and Minister of Tourism (Hon. Wendell Mottley):** Madam Speaker, the current limit on Central Bank's advances to the Government under section 46 is \$1,153 million, while the actual outstanding advances as at December 30, 1994, were \$206.3 million. Actual advances, therefore, were lower than the legal limit by an amount of \$946.7 million.

The current authorized limit on the Central Bank's holdings of Government's securities under section 33 is \$498.7 million. As at December 30, 1994, actual holdings were \$302.6 million, that is \$196.1 million below the authorized limit.

**1.50 p.m.**

The current applicable legal limit on the Central Bank's holdings of Government securities under section 47, is \$700 million. As at December 7, 1994, actual holdings were zero.

**Mr. Sudama:** Am I to understand from the Minister's response, as asked in (a) of the question, that under the item "Other assets" in the weekly statement of the accounts of the Central Bank, what he has stated in this House is all the advances recorded under "Other assets?"

**Madam Speaker:** Is that a supplemental question to the hon. Minister?

**Mr. Sudama:** Yes.

**Hon. W. Mottley:** Madam Speaker, as at December 3, 1994, there were no advances to Government included in the item "Other assets" of the Central Bank balance sheet. The "Other assets" figure as at December 13, 1994, totalled \$3,672,876,317. A summary of those items included can be provided to the hon. Member. There were no advances to Government included in the "Other assets" column.

**Princes Town Car Park  
(Rental)**

**54. Mr. Mohammed Haniff** (*Princes Town*) asked the Minister of Works and Transport:

Could the Minister kindly state:

- (a) What sum of money was collected for rental of the Princes Town Car Park during the period September 16, 1994 to October 16, 1994?
- (b) Whether the money collected will be utilized to repair the car park which is in a state of disrepair?
- (c) Whether he is aware that on the first occasion when the car park was rented the officers of Traffic Management said the money collected would have been used to repair the car park?
- (d) Whether he is aware that no such repairs were carried out?

**The Minister of Works and Transport (Hon. Colm Imbert):** Madam Speaker, the sum of money collected for rental of the Princes Town Car Park during the period September 16, 1994 to October 16, 1994 was \$6,000.

The money was in fact used to carry out repairs to the car park which is considered to be in a reasonable condition.

The Minister is aware that a statement was made that money collected for rental of the car park would be used for repairs.

Using the money collected, the following repairs have in fact been carried out: construction of A-type concrete slabs, for painting; repair of vandalism of the two-room building on the site, including repair of toilet facilities, fabrication and installation of burglar-proofing; and purchase of materials for the construction of a box drain.

**Mr. Haniff:** Madam Speaker, a supplemental question, please.

Would the hon. Minister state whether he would be willing to hand over this car park for security purposes—cars continue to be lost there on a regular basis—to the local government body?

**Hon. C. Imbert:** Madam Speaker, that is a different question, I will source the information and relay it to the hon. Minister.

*Definite Urgent Matter*

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**DEFINITE URGENT MATTER**

**Postal Service  
(Deterioration of)**

**Mr. Sahid Hosein** (*Siparia*): Madam Speaker, I wish to move the adjournment of the House to discuss a definite matter of urgent public importance, pursuant to the provisions of Standing Order No. 12 of the House of Representatives.

The matter relates to the deterioration of the postal service. It is definite because the postal service, being one of the key methods of communication is experiencing extreme difficulties in keeping that service operational.

It is urgent because over the past few months the service has been allowed to collapse to the point where timely communication is the exception, rather than the norm. There are several reports of post offices receiving and sending out mail once per week due to this situation.

Even worse are reports that postal agencies are not serviced for weeks at a time. It is of public importance in that the postal service is still one of the cheapest means of communication available to the wider public, and it must be cause for national concern when one reads that vehicles cannot be operated due to a lack of simple things like tyres and gasoline.

It is especially heart-rending to see our elderly citizens congregating day after day at post offices and postal agencies hoping that their pension cheques would have arrived. The situation assumes even greater public importance because there are citizens who reside in areas where there are no telephones and they have to depend on the mail for job-related interviews and matters of this nature. In the majority of instances, these communications arrive long after the stipulated time.

I am satisfied that this matter ought not to await a motion on the adjournment, having regard to the national importance of this issue.

Thank you.

**Madam Speaker:** I wish to advise the hon. Member, that I am not satisfied that this matter qualifies as a definite matter of urgent public importance.

**ORDER OF BUSINESS**

**The Minister of Trade and Industry and Minister in the Ministry of Finance (Hon. Kenneth Valley):** Madam Speaker, I beg to move that the House now consider Bill No. 1 for second reading on the Order Paper, rather than Motions.

*Leave granted.*

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**BWIA INTERNATIONAL AIRWAYS LIMITED (VESTING) BILL**

*Order for second reading read.*

**The Minister of Trade and Industry and Minister in the Ministry of Finance (Hon. Kenneth Valley):** Madam Speaker, I beg to move,

That a Bill to vest the undertaking of Trinidad and Tobago (BWIA International) Airways Corporation in BWIA International Airways Corporation, be now read a second time.

The purpose of the legislation before the House is to vest certain assets and liabilities into a newly incorporated company in order to provide a fresh start for our national airline.

I want to make the point very early that, as a fact, this is not the first opportunity in which one is attempting to provide a fresh start to our national airline. As a matter of fact, the existing legislation, the BWIA Incorporation Act, Chap. 49:50, vested assets into the existing BWIA International Airways Corporation from the former BWIA Limited and the Trinidad and Tobago Air Services Limited, the two former companies.

More than that, the history of our airline is a history of change in management and control. For example, we had the Rampersad Report of 1989. As a matter of fact, the mandate of the committee commissioned by the previous government to look at BWIA was to examine the state enterprise sector to undertake the reorganization, restructuring, and rationalization of the state enterprises, public utilities and statutory bodies in Trinidad and Tobago.

**2.00 p.m.**

The committee was established in May, 1987. In June of 1989, that committee reported with respect to BWIA. I just want to quote from the report. The report made the point, first of all, that really, the corporation, which at that time was about 10 years old, having been incorporated in 1980, is now about 15 years old. It says:

“...the reality is that the management and staff have been in the main business of air transportation for around fifty years. During this time the Corporation and its predecessors have experienced varying systems of management and control. The airline was at one time a wholly owned subsidiary of a foreign corporation;”

that is BOAC.

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“then a joint venture with a foreign company which provided the management; subsequently, a wholly owned State enterprise but managed by a foreign airline under a management contract;...”

that is, the HFW scenario with Iscott:

“and finally, with the formation of the new corporation in 1978,”

that is the Trinidad and Tobago British West Indian Airways International Corporation—

“it became a statutory Corporation wholly owned by the State and managed by nationals.

Throughout its existence, the Corporation has not made a commercial profit. Since the acquisition of BWIA by Government in 1961, the Government has borne the financial losses. In addition, since 1976, the Government has provided very large equity injections into the Corporation to expand and modernize its fleet of aircraft and to upgrade its other supporting capital assets.”

At present, just for the record, it should be noted that the equity injection by Government into BWIA has been \$127 million. Accumulative advances \$960 million. So that the money that Government has put into the airline so far is almost TT \$1 billion. In addition, coming out of this transaction the Government is under an obligation to take the existing liability of BWIA for sundry creditors, statutory payments and severance costs in an amount of \$360 million.

Further, the Government is liable under its guarantee for a debt of \$500 million, which it would also assume. The total of all this is \$1,947 million. The only state enterprise which had been a heavier burden on the state has been Caroni (1975) Limited, for which, as you know, the Government in 1992 had to write off \$2 billion in advances and indebtedness and so forth.

This transaction of which this Vesting Bill is a critical part. Because this Vesting Bill is a condition precedent to the closing of the transaction. I mean by that, having agreed on the terms of the agreement, we signed that. However, as we move towards closing, there are certain things we have to put in place. If those things are not put in place by the closing date, obviously, we cannot close. So that *en passant*, I want to make the point that it is incorrect for anyone to say that the Parliament is being used as a rubber stamp. The fact is, that unless we have the parliamentary approval we cannot close the transaction.

We expect, however, that this transaction would put a cap on the treasury funding for BWIA. We expect that from here on, we the Government as shareholder,

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would be receiving dividends; the Government, as Government, would be receiving tax income after the tax exempt period of the airline, and from these flows we can service the obligations that we are undertaking on behalf of the airline.

I want to make the point also that the fact that previous governments and this Government have been making so many efforts to keep BWIA in some form—forming new companies, looking for new management, changing what we do at BWIA—is evidence to me that we recognize the importance of BWIA to our national community. We understand the emotional attachment we have to “we BWEE.”

We know that as a Government only when in fact there are absolutely no alternatives could we take that decision to close BWIA. But as a fact we were getting to that point, and the Government was clear that unless we could divest and allow the private sector to come into BWIA with capital, only then would we be willing to undertake the obligations which we knew we had to, in order to remove the debt that was choking BWIA.

Over the last three years we have been really “drip-feeding” BWIA. BWIA would come to the Government with a requirement for about \$50 million—and perhaps even longer than that, because when we look at the information, even in the time of the former government one saw that they would come with a requirement for \$57.7 million—but the Government would provide \$40 million, drip-feeding, when the critical problem obviously required a restructuring. Given the past, one could not very well restructure and clean the balance sheet of BWIA, unless one was convinced that there was a credible plan for the long-term viability of the airline.

I can say without any doubt, having worked on this matter, that I am confident that this transaction provides a credible plan for the long-term viability of BWIA.

In 1989, as I said before, when the Rampersad Committee reported, it stated:

“The Corporation has developed a strategic plan to guide its activities over the period 1989—1992. The plan takes as a datum that the Corporation will receive no financial support from Government to cover any operating deficit or capital expansion. Some of the principal elements of the plan are:

- (i) the opportunity will be created for private sector participation in the airline in a form and up to a level which will not jeopardise the country's bilateral arrangements in the Caribbean;”

**2.10 p.m.**

In 1989 the company was saying that to go forward it needed private sector involvement, it could not depend on the state any longer. The report goes on:

- “(ii) the fleet to be enlarged by the addition of five (5) narrow-bodied aircraft to be obtained either under medium-term operating leases or Puerto Rican 936-type funding;
- (iii) the Corporation will expand its ancillary activities including participation in hotel ownership on a joint-venture basis;
- (iv) the Corporation will be able to secure a steady improvement in fares, an expansion in its route network especially on long-haul routes and significant growth in its cargo revenue, and will improve its passenger load factor from just under 66 per cent in 1988 to just over 73 per cent in 1992.
- (v) the Government will take over as sovereign debt loans plus accrued interest amounting to \$78.7 million which the Corporation contracted in 1986 and 1987 because Government did not meet its commitment to the airlines in respect of the domestic service and operating support;
- (vi) the Corporation will borrow up to \$100 million over the plan period to expand its supporting capital assets and reduce its short-term debt overhang.”

In the view of the management, it says:

“The projections incorporating these assumptions indicate that the Corporation will be able to operate profitably during the plan period. The Corporation advised that it will, by mid-1990, develop a medium-term plan for the eventual replacement of its wide-bodied fleet.

The Corporation in 1989 had a strategic plan that was expected to be profitable by 1992.

Madam Speaker, the bottom-line for the years is as follows:

Year	Operating Loss Million
1988	\$131.98
1989	\$105.25

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Year	Operating Loss Million
1990	\$231.58
1991	\$116.5
1992	\$54.1
1993	\$170

That was the out-turn. In 1989, although the company was saying quite clearly that it needed private sector investors, very interestingly, the committee was advising that at that time the company ought not to look for foreign private sector involvement.

It says:

“...the question of foreign private sector participation should not be pursued at this stage; the Board and management of the Corporation should be left in no doubt as to the requirements which they must meet in making the enterprise financially viable.”

As at 1989, the Rampersad Committee recommended that the corporation stay away from foreign participation.

Madam Speaker, you would note that in 1990 the corporation had a loss of \$231.58 million. The situation changed—I think we were facing reality—such that by April, 1991 everybody was saying that it was time that the corporation looked for a foreign strategic partner.

**Mr. B. Panday:** Who is everybody?

**Hon. K. Valley:** Everybody that matters.

**Mr. B. Panday:** Obviously, Rampersad did not matter. He never did, actually.

**Hon. K. Valley:** In May 1991, the then Government appointed a new chairman, Mr. Joe Esau—some months before this administration took office; and of course it is known that he is still the Chairman of BWIA—to provide leadership on a full-time basis in order to effect a thorough restructuring of the company and to secure a joint venture partner which could ensure the long-term viability of BWIA as a global airline.

The then government gave Mr. Esau a six-month deadline to achieve that mandate simply because of the state of the aviation industry. That decision was



influenced by some work which was done on behalf of BWIA by First Boston Corporation. On February 26, 1991, First Boston submitted a report to the Caricom Heads of Government with respect to the restructuring of BWIA and LIAT.

First Boston Corporation looked at a restructuring of BWIA on a stand-alone basis; it looked at an arrangement with LIAT; it looked at LIAT on a stand-alone basis. For our purposes this afternoon, what is important is BWIA. I shall quickly review some of the findings of First Boston Corporation. As you know, First Boston has been the adviser to the previous government and to this Government for some time.

In summary, with respect to the status of the airlines, the report states that without privatization or restructuring, BWIA is likely to require Government's subsidies indefinitely. If BWIA is not restructured, if a joint venture partner is not found, then the Government would be required to subsidize the airline indefinitely. Note the figures in the last six years, during the period 1988—93. We are talking about losses of approximately \$809 million, averaging over \$100 million per annum.

The report recommended that there ought to be a financial restructuring of BWIA; in other words, a cleaning up of the balance sheet. The Government is taking all of the assets of old BWIA, putting them into this new company, taking only the current liabilities into that new company and providing common shares as well as preference shares to the Government for the difference. That is basically what we are doing. The old debt is being left behind for the shareholders to handle.

**Mr. B. Panday:** How much?

**Hon. K. Valley:** As I said, we are talking about guaranteed debt of \$500 million plus liabilities of \$360—statutory liabilities and so forth—well, paper transactions, Mr. Minister of Finance—taxes, PAYE and so forth.

The first recommendation in the restructuring was the financial engineering to clean up the balance sheet. Secondly, First Boston recommended that between 15 and 40 per cent of new equity be sold to a strategic partner. There is a limitation.

Majority foreign ownership was not recommended because in order to be a curbing airline and to qualify for the route rights and so forth, the airline must be majority-owned by local and regional investors. I think that Members must note that. It must also be noted that in this transaction the international investors would own a mere 25.5 per cent of the company. The rest of the company, 74.5 per cent,

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would be owned by the local and regional investors, including the Government and the employees of BWIA.

The other recommendation made by First Boston is to allow the employees to buy up to 10 per cent into the company. You would see later, Madam Speaker, that in fact the employees are buying, up to 25.5 per cent, into the company. It goes on:

“Implement operational restructuring.”

These are some of the things you would see the Government doing under the Acker Plan, which I shall deal with at some length. Another recommendation:

“Consider private placement or initial public offering after turnaround.”

You would see that the Government is doing that. First the Acker Group was brought in to help develop a turnaround plan and now the Royal Merchant Bank is underwriting \$6 million for the airline.

The point I am making is that the Government has been consistent for some time concerning where it wants to go. In 1991, this Government came in, reviewed the boards and left the BWIA board intact—not one person was moved. From the time of initial appointment of that board to now there has been one change because of the resignation of the former Chief Executive Officer, Mr. Ian Bertrand, and the new CEO became a board member. We were convinced of the wisdom of the track on which BWIA was running with respect to the divestment. The concept there was that we would be looking for a strategic airline partner.

### **2.20 p.m.**

On previous occasions I made the point that BWIA spoke with everybody under the sun—British Airways, Lufthansa, Air Canada—11 airlines, all to no avail. So that one had to come back and look again at one's strategy. While we held the concept constant, in other words, that there were certain pluses which we envisaged to grow from a strategic airline partner, and we wanted that, we thought if we could not get it directly, then, perhaps we could get it via an international investor who could, possibly, have that relationship.

That is why in this transaction the arrangement with American Airlines is important, because from day one, we knew that if we had gone into a relationship with British Airways there were certain downsides, obviously. BWIA flies to the UK, so does British Airways. If we had gone in with a strategic airline partner such as Air Canada, similarly, there would have been some downsides. Again,

BWIA flies to Toronto so does Air Canada, and again, to the United States—the same thing applies—American Airlines, obviously.

The point is made, however, and they tell me—I am not an airline person—that in the airline business your greatest competitor could also be your best collaborator. So that you co-operate at times, and you fight at times—as we do here in the House, from time to time. Sometimes I feel my best friends are those on the other side, Madam Speaker.

**Mr. B. Panday:** Had it not been for us, look at how many mistakes you would have made.

**Hon. K. Valley:** Madam Speaker, in terms of BWIA's operation—and I just want to mention this, because it is going to be important when we look at the business plan. Again, the First Boston plan made the point that while BWIA had quite a number of strengths, there were also some weaknesses which the strategic partner could reduce, or avoid. For example, the First Boston plan made the point that BWIA was under some pressure to continue operating on marginal routes. Obviously, we had that big argument concerning the European routes—which, I understand, has now been resolved—that BWIA consistently had negative operating results, which is a fact.

Although there was some progress towards covering the cash operating costs up to 1988, after that time, that was reversed. Most importantly, the operating deficits were financed by after sales and by borrowing. So that the need for restructuring, in First Boston's view, was obvious if we wanted BWIA's financial results to improve, and if we wanted to use BWIA's existing asset base more effectively.

They made the point also that the unit costs, particularly for maintenance, were too high; and that is a point made also in the Acker plan. They made the point that maintenance costs at present run to some 16—17 per cent of total cost, which is quite high for the industry. That is one of the reasons that we are considering a replacement of the fleet over time. The fleet is quite old.

The point, quite simply, is that by 1991 it was clear that with respect to BWIA, we were looking for a strategic foreign partner. At first, an airline, and after, when we realized that that was unattainable, we decided to keep the concept whole, but to look for an international investor. That led us to the arrangement with the Acker group—the memorandum of understanding, which was executed on July 15, 1994, I think.

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Of course, before that, Members will remember the effort to get Air Canada here. As a matter of fact, that is how we found our current CEO. The Air Canada initiative, when we were submitting a joint bid for LIAT, in early 1993, when Air Canada said because of other initiatives on which they were working at the time, they could not pursue it; and that initiative was killed and, of course, you will remember also the efforts by the Heads to form this regional air carrier which, of course, have been going extremely slowly.

So that in July, 1993, we were able to come to agreement with the Acker-Group and Loeb and we executed a memorandum of understanding on July 15, 1994. That memorandum of understanding established the parameters for this deal—everything!

I want, quickly, to review the plans. The memorandum of understanding spoke about a re-capitalization plan. I have been talking about what we are doing here today: setting up a new company, taking assets, some liabilities, leaving old debt—and that is the first point in the memorandum of understanding.

**2.30 p.m.**

It says here:

“Simultaneous with the closing of the privatization, GOTT will complete the implementation of a plan for the recapitalization of BWIA that will include the following elements:”

**Mr. Maharaj:** No. It is not. It had to be obtained.

**Hon. K. Valley:** This is widely distributed. The newspapers had it and the Opposition had it, so that it was also incorrect to say that the national community was unaware of what was in this memorandum of understanding. As I was saying:

“. . . a plan for the recapitalization of BWIA that will include the following elements:

- (a) a new limited liability company ('New BWIA') will be incorporated under the laws of Trinidad and Tobago as the vehicle for the recapitalization;”

That was done earlier this month.

- “(b) GOTT (as the sole owner of BWIA International) will transfer substantially all of the assets and certain of the liabilities of BWIA International to New BWIA in exchange for 100 % of the common stock of New BWIA;”

That is what we are seeking to do here today. We are asking the House to approve the vesting of certain assets and liabilities into this new company which will be owned initially 100 per cent by the Government of Trinidad and Tobago. Then it talks about:

“(c) liabilities of BWIA to be transferred . . .”

which is in the Bill. I do not think I need to go through that. Further:

“(f) New BWIA will be designated by GOTT as the sole national flag carrier of Trinidad and Tobago for an initial period of 15 years, renewable for additional periods. New BWIA will also succeed to BWIA's designation as the flag carrier of other countries in the region (including Barbados, Antigua, St. Lucia, etc);”

Normal. In other words, there were rights, which are owned by the Government but an airline is designated as the flag carrier.

“(g) the liability for severance or other payments to any employees of BWIA who are not employed by New BWIA will remain with BWIA;”

With old BWIA. This is all part of the memorandum of understanding and Members will see this reflected in the investment agreement, and as I said, we undertook to have copies lodged with the Clerk of the House. I understand those copies are now in the Library—the investment agreement and all the schedules available for the information of Members.

One of the clauses in the memorandum of understanding that our negotiating team was able to negotiate out—and I want to make the point that when we signed the memorandum of understanding, remember the Government wanted to cap its exposure to BWIA.

This was a company that was costing the Government in excess of \$100 million per year for a number of years, so that in an effort to attract investors, the Government agreed to set up an escrow account into which the Government had undertaken to put US \$10 million to provide downside protection for the new investors for a two-year period. Because the outlook of the New BWIA is so attractive, we were able to agree with the investors that there is no longer any need for that escrow account, so that Members would see no reference in the investment agreement to that escrow account. It is not there.

Secondly, the memorandum of understanding envisaged preference shares in addition to the common shares. The concept was that the Government would get

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an amount of equity to ensure that it had a 49 per cent stake in the company, but that the rest of the equity optimum value would be by way of preference shares. Over and above that, based on valuation, the Government then gets rights to preference shares, or preference share warrants, which will be exercised and converted, in the first instance, to preference shares and then 60 per cent of that into common shares when the aircraft and spares are sold.

In other words, the valuation being used on BWIA is an after-tax valuation of \$80 million. I saw in the newspapers that somebody said that there was a valuation of \$150 million. I want to disagree with that person's mind that there was a valuation of \$150 million. The First Boston people did the valuation and they came in with a figure between \$20 million to \$40 million. Nobody got a valuation of \$150 million. The valuation being used is the after-tax valuation of \$80 million and the Government is getting equity.

Let me say first of all, the book value is around \$30 million. I say "around" because the book value is going to be determined on the closing date, so that there would be adjustment. It might be \$30 million, \$30.7 million or \$32 million. But for the book value, the Government is going to get US \$19.2 million in equity and the remainder in preference shares. It is called preference shares, Class A. For the difference between the book value and the \$80 million—in other words, about \$51 million—the Government would receive preference shares rights or warrants, and as the old aircraft are sold over the three-year period, they will be converted into preference shares in the first instance, and then 60 per cent of the value of those preference shares can be converted into common shares.

That is important, because while the memorandum of understanding provided that all of that should be in the form of preference shares carrying the rate of interest of 6 per cent for a 15-year period, one knows that 6 per cent is an extremely low interest rate, so that if one were to take the present value of that, one would see that that is a very small amount. To the extent that one can now convert 60 per cent of that into common shares and sell it on the market, one will see that the Government is much better off and really, that is another plus for the negotiating team. They were able to negotiate that in the agreement. That happens when there are good people working for you.

On this transaction, we had the assistance of Citicorp Securities Incorporated financial services from the United States as well as the law firm of Skadden. Skadden worked for us in the Urea/Fertrin transaction and did an excellent job and I can tell you, Madam Speaker, that the Government feels extremely

comfortable when they are in our corner. I also felt extremely comfortable knowing they were on our side. We were able to do that.

**Mr. B. Panday:** I am sure you are comfortable as well.

**Hon. K. Valley:** A critical aspect of the memorandum of understanding is after agreeing with the Acker Group that: "Look, you would come with your \$10 million and these are the parameters. You are going to get 25.5 per cent of the company and we are going to sell a further 25.5 per cent to the local and regional investors.

One goes on:

"We want you to help us develop a turnaround plan that we are both happy with, and this is going to be a separate exercise. If you like the plan, at the end of the day, and we approve the plan, then you can come in. In other words, your investment is conditional on both sides liking this business plan that you are developing. If you do not like it or we do not like it, there is no deal."

**2.40 p.m.**

So the development of the business plan, the turnaround plan, is a fundamental part of the memorandum of understanding. Parameters were set. We determined beforehand how much the Acker Group would pay for their shares.

It was not after they developed the business plan that they had inside information. They were paid for that assignment. They have signed off on the business plan; we have signed off on the business plan and we are both happy with that. That is the current initiative, the business plan.

Let me continue, then, in my effort to convince my colleague the Member for Oropouche that, in fact, this is the best deal in all the circumstances, and that it provides a credible plan for the long-term viability of the airline.

The objectives of the plan are, first of all, to place BWIA on a strong financial and commercial platform which would allow the airline to compete effectively in the international industry. But secondly, it must provide Government, and in turn the local taxpayers, with a reasonable prospect of tapping, once and for all, the obligations to fund the losses of the airline. It must attempt to preserve the routes that are currently flown by BWIA, by ensuring that regional and local investors continue to own the majority of the airline.

Most importantly, the plan allows the employees of the new BWIA a stake in the new airline, much higher than even what is normally contemplated via the

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Employee Stock Ownership Plan. Under that Plan normally one would consider ten per cent. They are getting that, but in addition the employees are using some of the surplus in the pension plan to buy a further 15.5 per cent of the shares in this new BWIA. To me, that is really cutting new ground with respect to worker participation in the company in which they work.

The plan also attempts to secure a strategic alliance with the foreign airline. You remember that was the original thing. Here we are doing it, indirectly. We are looking at the code sharing with American Airlines. We say that is a critical element. It is a condition precedent to closing that we must have that agreement with American Airlines before this deal is closed. Just as the vesting of the assets into the airline is important for closing, so too, having that code-sharing agreement with American Airlines is a critical element; it is a condition precedent to the closing of this transaction.

The business plan identified, again, some of the weaknesses which were alluded to in the First Boston plan—looked at those weaknesses and then developed a strategic approach to avoid them. Our people have signed off on the business plan. They say it is workable in the circumstance. We are happy and we are going forward with that business plan.

I want to turn very quickly to some of the conditions in the investment agreement. I would quickly go to some of the governance issues, because I make the point that in this agreement we attempt to protect, not only our commercial interests, but also our strategic interests.

When I addressed this House last week I pointed to the fact that there were roughly 11 decisions which required the board's concurrence. There is fifty-one per cent majority decision. But more than that, I made the point also that the Government would maintain the golden share, in perpetuity, which would allow the Government to veto certain decisions of the company. So that we have that protection.

I spoke also about the protection for tourism. All we are doing, really, is attempting to take into consideration the legitimate concerns of the tourism sector, a sector upon which the Government is laying emphasis at this time. But we have to face the reality also that the new BWIA must be bottom-line oriented and hopefully, via consultation, the tourism sector, which also is important for the airline, can work out those difficulties.

I want to make the point also that this whole transaction fits into the overall vision of the Government to position Trinidad and Tobago as the air transport hub



into South America. Members would know of our initiative with respect to South America. As a fact, it takes about two and a half hours, I am told, from Northern Brazil to Piarco. So that if one wants to go to Europe, it makes much more sense, coming through Piarco for connection, rather than going south to Sao Paulo, then going north.

That is what we want to do. We want to target Colombia, in a certain way, Venezuela, Northern Brazil, positioning Trinidad as that hub to do that. It fits into what we want to do in this part of the world. There are ongoing negotiations with an airline, TABA, in Northern Brazil to achieve that.

In effect, the argument is that this legislation before us today would allow the Government to implement a plan that is credible with respect to the long-term viability of the airline, given the business plan, given the code sharing agreement, given the fact that the airline, BWIA, would now be fed by American Airlines at the gateways. There is the expectation that a similar arrangement would be made with British Midland in Europe, with LIAT in the Caribbean, with Canada and similarly out of South America, starting first with TABA and looking at other airlines to feed BWIA.

Secondly, the transaction safeguards our commercial interests. The airline is still majority-owned in the Caribbean by the local and regional private sector. It protects our strategic interests via the golden share concept. We have that protection. The transaction cuts new ground with respect to relationship with workers, having four unions coming together, and when they offered to get into the transaction I told them, "Yes, we want you in this transaction." I made the point that we want local people in to protect their interest in their BWIA.

### **2.50 p.m.**

The negotiations were not easy, but because there was that goodwill on both sides, we were able to arrive at an agreement with which both sides, the unions and Government, are now happy.

We expect that to happen in other organizations. The Leader of the Opposition would know about National Poultry. I understand his union wants to buy NonPareil. I said I am willing to speak with them at any time. We shall continue along those lines.

Most importantly, the overall transaction would act as a catalyst with respect to that element of our vision—that initiative to position Trinidad and Tobago as an air-transport hub in this part of the world.

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Madam Speaker, it is with pleasure that I commend this legislation to the House.

Thank you.

*Question proposed.*

**Mr. Basdeo Panday** (*Couva North*): Madam Speaker, this is a sad and solemn occasion in this House today. It is an occasion that is reminiscent of the funeral of a well-known personality.

The Explanatory Note to the BWIA International Airways Limited Vesting Bill, 1995 reads like a dirge. One can almost hear the drone of the obituary. If I had to write the announcement of this tragic death, it would read as follows:

We regret to announce the death of BWIA, the 34 year-old national airline, which occurred on Friday, January 6, 1995 at the Twin Towers at 7.00 a.m. after a prolonged illness caused by several years of neglect inflicted upon her by a callous and uncaring Government.

BWIA which will be buried in Parliament, Red House, today, leaves to mourn her 1.2 million children of Trinidad and Tobago and several dependants, cousins and nephews in Barbados, Antigua, Grenada, St. Vincent, Dominica, the Leeward, Windward and other islands of the Caribbean.

It is believed that BWIA died as a result of an overdose of corruption, waste and mismanagement. Foul play is suspected and several Government Ministers are expected to be held for questioning.

The UNC, acting on behalf of the grieving relatives, are conducting enquiries and several arrests are expected, following upon the next general election. They suspect that a small group of persons belonging to the interlocking directorate will try to block the arrests.

This is a sad occasion. This is not an occasion for anybody in this country to be happy. The birth, life and death of BWIA will go down in history as one of the loftiest dreams of nationals, insofar as the birth was concerned, and one of the most disgusting examples of PNM's corruption, financial profligacy, waste and mismanagement in relation to its life and death.

The history of BWIA is worth recounting on this occasion. The airline which became known as BWIA International was established on November 27, 1940, when Captain Lowell Yerex was invited by the then Governor of Trinidad and Tobago, Sir Hubert Young, to set up an airlink between the islands of the

Caribbean. By mid-1941 British West Indian Airways began operating a daily service between Trinidad and Tobago and Barbados. At this time, Yerex was the sole owner of the airline, but in 1943 BWIA became a limited liability company with Lowell Yerex holding 60 per cent of the shares.

The year 1943, however, also witnessed a boardroom coup—if one may call it that—which resulted in the colonial government acquiring some shares and Yerex losing his status. By 1946, BWIA was flying throughout the Caribbean and as far north as Miami. Much of the airline's early work involved military charters for the United States army and mail delivery. In 1947 BWIA was taken over by British South American Airways (BSAA) and later by British Overseas Airways Corporation (BOAC), as a wholly-owned subsidiary.

The Trinidad and Tobago Government purchased BWIA on November 1, 1961 from BOAC. By that time the carrier had gone through several fleet changes and had built up an extensive route system. Another change came in 1980 when BWIA was merged with Trinidad and Tobago Air Services (TTAS) to form Trinidad and Tobago BWIA International Airways Corporation.

Over the years, since the airline came under the ownership of the Government, there have been losses—not only those indicated by my Friend, who I think mentioned that between 1988 and 1993 losses amounted to \$809 million. Even before that, in the year 1982, losses were \$152.9 million; 1983, \$104.6 million; 1984, \$81.6 million; 1985, \$126.7 million; 1986, \$48.9 million; 1987, \$130 million. That is in addition to the losses that my Friend has referred to between 1988 and 1993.

By December, 1993, accumulative advances to BWIA stood at TT \$960 billion. In addition, over the years the Government had injected equity of \$127 million. By June, 1993, accumulated losses of the airline amounted to just over TT \$1 billion. In addition, Government extended guarantees, as my Friend said, of \$500 million to keep BWIA airborne, including \$150 million in the last three years.

The point to note here is that since the Government has taken over BWIA it has suffered a continued loss. BWIA of which West Indian people have so long been proud, has always been in a loss position because, we submit, of the corruption, waste and mismanagement of the Government in the handling of BWIA.

### **3.00 p.m.**

Among the many acts of corruption which we in this House have complained of—and those who are privy to documents in this House would recall that we on

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this side have raised every issue pertaining to the corruption and mismanagement that has brought BWIA to the sad state in which it is today—no one can forget the infamous DC9 scandal for which we in this House attacked the PNM Government when they engaged in corruption so indecent it is impossible to describe.

We in this House have raised the whole issue of a former PNM Minister, John O'Halloran, who engaged in bribery and corruption with respect to BWIA. All the losses that I have pointed to today, the people of Trinidad and Tobago have paid for because of the corruption inherent in the PNM. And one must never forget that, on this sad occasion when we come to mourn the death of BWIA [*Interruption*].

**Hon. Member:** It is the PNM that caused that.

**Mr. B. Panday:** One must never forget the involvement of Mr. Prevatt. The newspapers reported seven consultancy deals which were not at arm's length involving one Ben Primus who, when he had to reply, stated that he had taken no oath of poverty.

All these matters were raised in this House and this nation sat down and allowed the PNM to carry on with that corruption, and today we are paying for it. That is the politics of the situation. That is the sadness of this situation here today—\$1 billion the public is paying. And it is said, how you make your bed so would you sleep, and indeed, the people are sleeping on a bed of thorns because of what they permitted to take place in this country.

One knows about rumours of boats and so forth—I do not want to call the gentleman's name; the purchase of the wrong type of aeroplane, the payload of the DC9 which was not suited to the operations of BWIA; we in this House have gone on record as pointing out all those matters.

The deal with regard to airline spares involving two companies Aviation Management Services (AMS); Aviation Management Systems whereby spares were sold to one company at undervalued prices and then purchased at higher prices at the expense of BWIA. These are things about which we have gone on record and now is the time to mourn, and the time to mourn is the time to reflect, and this nation should now reflect upon its own wickedness by permitting the PNM to be there while we pointed out these corrupt activities.

An investigation was undertaken by the board on this question of the spares racket, which concluded that the corruption did, in fact, exist but to date no one has been arrested and no one charged.

As far as I recall, Mr. Conrad Aleong sent the aircraft to do Checks—that is heavy intensive maintenance—for Delta Airlines in the United States. This work was previously undertaken in Trinidad and Tobago by locals at a far lower cost. These and many things—

**Dr. Rowley:** Do not call the people's names in Parliament.

**Mr. B. Panday:** I beg your pardon? My friend must realize that people cannot be corrupt in state enterprises and then say that Parliament cannot criticize them because they are not here to defend themselves.

**Dr. Rowley:** Go outside and do that!

**Mr. B. Panday:** We do it outside, we do it inside, we do it everywhere. We will do it in your house; in front of your house, we do not care. We have done it on the streets. We went up for election and we did it on the streets, and we mentioned your name too with respect to matters like National Fisheries. You did not do anything about it! And we are going to call your name tonight at Williamsville and you cannot do anything about it.

**Mr. Maharaj:** Every week we are calling your name and you would not file a writ.

**Mr. B. Panday:** The Minister must know that every time he interferes with me he will pay the price.

What has happened, after all these allegations of corruption is that we are now being told by the Minister in the Ministry of Finance that when they came to power, they were faced with a situation in BWIA, where the only alternative was to liquidate the company or to privatize it. Now, today, he is telling us that the only way out for BWIA is to “Ackerize” it. The circumstances under which this transaction is taking place raises the gravest suspicions that all is not above board.

For example, to the best of our knowledge the Government of Trinidad and Tobago on or about July 15, 1994 signed a memorandum of understanding, which was referred to here today, with an entity known as the Acker Group and Loeb Partners Corporation. Under the memorandum, it was agreed that the Government, Acker and Loeb Partners would jointly pursue a business plan—we heard some of that today—for the recapitalization and privatization of BWIA.

It was further agreed that Mr. Edward Acker, who was head of the Acker Group and a business associate of Loeb Partners would be paid by the Government a consultancy fee made up as follows: US \$150,000, to report on

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whether or not privatization was feasible. That is the man who was going to buy BWIA. First he was employed as a consultant, and we want the country to know that. We are not only saying this here today; we will also be saying it in Williamsville tonight.

A consultancy fee of US \$150,000 was paid to Mr. Acker to decide whether or not to privatize. They could have come to the UNC, we would have told them what to do for nothing.

In addition to that US \$100,000 to develop the said business plan, the gentleman was paid US \$250,000 in consultancy fees and the fellow ends up buying into your company; managing and controlling, now the Chief Executive Officer of the new company.

**3.10 p.m.**

According to the memorandum of understanding, we have heard the Minister say that some of the shares of the new BWIA would be sold to international and regional investors. Who would look for those international and regional investors for the Government? Mr. Acker would look for them for the Government—for \$22 million to the Government of Trinidad and Tobago and reclaiming 49 per cent.

He will look and find his front men who would buy into BWIA and this nation shall lose control of it. The Government could have golden share, silver share or brass share, we would lose control of this national asset. Sure it was losing money. We are not saying that the Government should continue to support a company that is losing money. What it should do is to ensure that all the corruption, waste and mismanagement are removed and the company is run financially.

If someone else can tell you how to do it, why can the Government not do it? What is wrong with the Government, except for its incompetence and profligacy? Why can others tell the Government what to do? They can do it, but the Government cannot? The biggest admission of failure that we have ever seen in this House is what is happening here today. A further 25 per cent would be owned by the Acker Group; it owns 25 per cent and it is looking for its front men to buy the other 51 per cent. You would see paper companies being set up all over the place—another 25 per cent to the regional and local investors.

We have heard about the union buying into it. I hope that somebody else would elaborate upon this. I wonder if the union knows whether, after they have

spent their pension money to buy shares in New BWIA, they would have any say or control when they start paying people US \$25,000 and \$30,000 per month as salary. I wonder whether the union people know the kind of salaries that are being paid, and that will be paid the top. That is how they cream off the money. That is how they con the union and local people to invest in the company; spend all the pension money or whatever they have, and then pay themselves. This is a business plan that was developed by a man for US \$100,000. If anybody pays me US \$100,000, I would develop a business plan that would give me the business. I think one is expected to do that.

We have heard from the Minister about control of BWIA. There is no way that this Government is going to retain control of BWIA. I do not know if the Government has considered the consequences for Trinidad and Tobago and the Caribbean if it loses control of BWIA. The Government has said that its tourism thrust is part of its plan for reorganizing the economy and creating job opportunities in the country.

From what I read in the newspapers, the hoteliers in Tobago are scared to death about what is taking place here, because there is no guarantee that the routes on which they depend for their sustenance as hoteliers, would be kept open. I am sure the Member for Tobago East and other Members, of course, would develop on this as the debate proceeds. I am only to touch upon them very briefly to lay down the general parameters that this debate is going to take.

This Government has laid great emphasis upon turning around the economy, by encouraging people to engage in the export-oriented industries. In order to export, the country must have transportation; the transportational infrastructure involves both air and sea. The Government may very well find itself with an airline of which it has lost control, where there are goods to export and they cannot be exported; tourists' rooms to fill and they cannot be filled, because the airlines would not be coming here. Already, most of the airlines have abandoned Trinidad and Tobago as a destination.

I see that LIAT has rejected, as the other governments have rejected, this Acker plan. We have been saying that—

**Mr. Valley:** Madam Speaker, please, let me just correct this. First of all, there was no Acker plan that LIAT could have rejected and it is not in any position to reject any plan. It is the shareholders' responsibility to take a proposal. He read an article in the *Express*. He should read the same report coming from the *Trinidad Guardian*.

**Mr. R. Maharaj:** Are you saying that the *Guardian* is more accurate?

**Mr. B. Panday:** I agree with him that if the *Express* publishes anything it is wrong. I do not read the *Express*. I have stopped reading the *Express* and have stopped listening to Channel 6 a long time ago, and I am encouraging all my supporters to stop as well. I do not read the *Express*. If that appeared in the *Express*, I do not know about it.

**Mr. Valley:** Mr. Leader of the Opposition, what do you have there?

**Mr. B. Panday:** That, my friend, is a clipping given to me by my research officer. I do not read the *Express*. If I see the *Express* in my house, I put the dog to lie on it. You are quite right. I am sure that the one which appeared in the *Guardian* has greater depth.

As far as the consequences to the Caribbean are concerned, the *Express*, dated Monday January 9, 1995 carried this article. Page 19 states:

“The Secretary General of the Caribbean Tourism Organisation, Jean Holder, has linked his own anxiety for 'meaningful' functional co-operation in air transportation services to the broader issues of economic integration, regional ownership and stability.”

I will come to that a little later. The article continues:

“For Holder, who addressed last month's Miami Conference on the Caribbean on 'Moving Towards Consolidation: Aviation Services in the Region,' the 'New World Order' is unkind to small and weak states like ours.”

He worried about what is going to happen with the tourism industry, when national control of the airline is lost. We know that in other places, one of the reasons why it has to go to this kind of privatization is that the governments of the Caribbean had refused to participate in making BWIA the regional carrier. I am arguing today that had the Trinidad and Tobago Government given the same deal to Caribbean governments that it is giving to the Acker Group, they would not have hesitated in participating to make room.

One of the major reasons why Caribbean governments refused to get involved with BWIA was that they said that they would not get involved in a debt-ridden company. There was \$500 million worth of debt and the Government was asking them to participate in a company like that. What has the Government done in this case?



In order to get a foreign partner, the Government has written off all the debts that the company had. The Government of Trinidad and Tobago is liable for those and the new company that it is going to create does not have those debts. They have made that kind of offer to the Caribbean governments and local and regional businessmen, there would have been no need to sell out the airline to foreigners as they are doing now.

**3.20 p.m.**

It may come as a surprise to the conglomerates in Trinidad, but I stand today to defend their case. *[Interruption]* Have you noticed the versatility? When they said that information was kept away from them, that is the most criminal thing taking place here. Before these decisions were taken, information was not supplied to Caribbean governments and businessmen and local businessmen, so that they could participate in the privatization of the airline.

**Mr. Maharaj:** It was a confidential memorandum. Read it! We cannot send it to anybody.

**Mr. B. Panday:** We on this side are simply lucky that we get confidential memoranda.

I notice that the Government said that it was protected in some way. Under the investment agreement, and as part of the Government's stated concern to protect its strategic interest in respect of secure air transportation and the promotion of the tourist industry, Government says that:

“... should the New BWIA propose a change to the flight schedule which may have a negative effect on air transportation to and from Trinidad and Tobago, the Government shall have 40 days to develop a plan which addresses this concern.”

How absolutely generous your business partners have been to you! If they are going to strangle your tourism industry, if they are going to change the routes—and already, I understand, they are abandoning the Frankfurt route. Frankfurt is gone. Did they give you 40 days on that one? I do not know. If they are going to abandon routes, they will give you 40 days to make alternative arrangements. That, in my view, is indicative of the fact that there are intentions to change routes and the Government will have little or no say in the matter; it will have damage control, and 40 days in which to do the damage control. We are having a funeral today, and I suppose very soon we shall have the “40 days”. They have written it into their contract.

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It is clear from all that is happening here that this is a tremendous sell-out of the national asset. It is a giveaway and my colleagues on this side will elaborate on that.

I do not intend to be longer, but I do not wish to sit without saying what the UNC would have done. Our friends in the media are never tired of saying that the UNC likes to criticize but has no alternative plans with respect to privatization and divestment or whatever. We have stated before in this House that state ownership, as opposed to private ownership, is not for us an ideological issue, but an economic one.

**Madam Speaker:** The hon. Member's speaking time has expired.

*Motion made,* That the hon. Member's speaking time be extended by 30 minutes. [*Mr. K. Jurai*]

*Question put and agreed to.*

**Mr. B. Panday:** Thank you, Madam Speaker, and Members.

We have said that each state enterprise must be looked at *sui generis*, on its own merit and strength, and one cannot apply, across the board, a formula for dealing with all the state enterprises, because all are not equal. The UNC is absolutely clear on its position with respect to state enterprises. It knows exactly what it will do with them when it assumes power after the next election.

We do not sanction state enterprises being a financial burden on the Treasury and, by extension, upon the people of Trinidad and Tobago. However, each must be dealt with on its own merits. The UNC, first of all, will not divest profitable state enterprises. We have a policy about that because we feel that the income which is derived from those state enterprises would be an income to the Treasury which could result in a lessening of the tax burden on citizens. [*Interruption*] Stop interfering with my Member!

We accept that revenue must be collected in order to run the Government, but the more income the Government collects from non-taxable sources, the less taxes it needs to impose on the people. I see my Friend the Member for Arouca South shaking his head in agreement. So, we will not divest, as this Government does, state enterprises which are making money. That is what we cannot understand about them. That is the difference between them and us. There is a state enterprise that was divested and in one year the foreign buyer had made back all the money it paid for it. We shall try, of course, with those industries to maximize the returns thereto.

Where the state enterprise is making a loss, every effort must be made to find out the causes of those losses. Generally, we have found that they are corruption, waste and mismanagement; and a genuine attempt must be made to eliminate them. I take this opportunity to tell you one thing about BWIA that has resulted in its loss position—a form of corruption that many people know about. That corruption is where BWIA gave to its friends in the travel agencies blocks of seats, and unless one went to one of its friends, one could not get a seat. I am sure that many people remember the phenomenon of going to a travel agency in London or New York trying to get a seat on a BWIA plane and could not. If perchance you got on the flight, the plane was empty. That has happened several times and people have complained about it.

Do you know why that was happening—that people could not get seats on BWIA to buy while BWIA were travelling empty? Because of corruption. They gave their friends in the travel agency business block seats so that anyone who wanted seats had to go there, while other people had no seats, and just before the plane was about to leave they handed back those that were not sold. That is an act of corruption. We would have dealt with all that before we had decided to privatize. Where the company is making a loss, the first effort is to make a genuine attempt to eliminate such corruption.

**3.30 p.m.**

If despite every effort at profitability there is continuing loss, then the UNC would distinguish between purely commercial state enterprises and strategic state enterprises and deal with them differently. As far as the purely commercial state enterprises are concerned, they will be divested, as far as possible, however, on a trisector basis, and if that is not possible, then divestment would take place to local, regional and the private sector joint venture.

**Mr. Valley:** Madam Speaker, I wonder if the hon. Member would give way. Given that he has stated that this company has been making a loss every year, since 1982, whether that is a sufficiently long period to conclude that one cannot move the company into profitability. And whether in those circumstances, divestment is not the correct way to go.

**Mr. B. Panday:** No, it does not necessarily follow. The fact that the PNM cannot make a company profitable, does not mean that the company cannot be profitable.

**Mr. Valley:** Would the hon. Member take into consideration the fact that for five of those years, he belonged to a government that was supposed to change things and for at least two of those years he was there in the saddle?

**Mr. B. Panday:** First of all the Minister cannot count; I was not there for two years, but that is besides the point. *[Interruption]* As a matter of fact, I probably was not there at all! That is most unfair. It is stupid and it is ridiculous to say that the fact that I have been in the Government for one year I should have corrected all the wrongs that the PNM made for 30 years. I do not believe that the smallest child expects that. But that kind of stupidity we expect to emanate from the other side. I know what my friend is talking about. I think he is hearing but not listening.

We said that if it is a commercial enterprise, and despite every effort at profitability the loss continues, we shall distinguish between strategic industries and purely commercial industries. Where there are purely commercial industries, those would be divested, but as far as possible on a trisector basis. And in case people do not understand what a trisector basis is, it would be divested on a basis of one-third of the shares being held by Government; one-third of the shares being held by the workers in the industry, and one-third of the shares to private enterprise.

**Mr. Valley:** Madam Speaker, one quick question. Would the private sector then still have to pay their CEOs and so forth, US \$25 million in that scenario? Should workers still invest in that company? What is the difference between a worker investing in that company and a worker investing \$25.5 million in BWIA?

**Mr. B. Panday:** I am not sure that I understand what the Minister has said.

**Mr. Humphrey:** He did not mean \$25 million; he meant \$25,000 per month. *[Interruption]*

**Mr. B. Panday:** Would someone be so kind as to explain?

**Mr. Humphrey:** He wants to know the difference between your scenario and his. The difference is that the control would be in Trinidad and Tobago's hands, not in the hands of—

**Mr. B. Panday:** Exactly. Oh, I see! It is a valid question. It belongs to Mr. Valley, but it is valid, that is to say, what is the difference? The difference between the trisector arrangement and the one that the Minister is talking about is that where the state divests a company, where the State has one-third; the workers in the industry have one-third; private enterprise has one-third; control remains in the hands of the people of Trinidad and Tobago. That is the difference—control remains.

I shall go further. Where the industries are purely commercial, if it is not possible to divest them on a trisector basis, every effort would be made to divest them to locals. That is the difference between this country and the United

Kingdom and the United States. When the United Kingdom divests, do not follow them and say because they are divesting, divestment is a good thing for Trinidad and Tobago. When they divested British Telecom and so forth, they divested it to Britishers, to local people!

So the interest remains local, the orientation remains local; the culture remains local. Everything remains local. What is being done here is divesting to foreigners, and there is bound to be a culture shock when they take over the ownership of these industries. That is the difference between the UNC and the PNM Government.

We are hoping that the media would be kind enough to understand what we are saying. Please do not put us in that category with them. We do not belong there!

We have said that we would distinguish between strategic and non-strategic. With respect to strategic industries which are making a loss, in such enterprises divestment will come only as a last resort, but even so, divestment will be on a trisector basis to ensure local ownership and control. The reasoning behind that kind of scenario as opposed to the one they are talking about now, is that the workers have meaningful control.

With a one-third share, it is to be expected that the Government and the workers would constitute the national factor in the ownership and control, and therefore, would be likely to be thinking along nationalistic lines so that the industry remains in the control of nationals. More importantly, what it does is give the motivation that the workers would own part and would have control. That is even more than the shares that they own.

I have asked one thing here, I have seen in the industry that people are employed at \$30,000 per month and I am afraid that this union is going to sit, having taken its pension money, and look at people getting that kind of salary and not be able to do anything about it.

We have a definite position on this question of BWIA, and unless the Government can persuade us why it has become necessary to give away our national airline to the control of foreigners, we would be very hard-pressed to support them on this Bill.

**The Minister of Agriculture, Land and Marine Resources (Dr. The Hon. Keith Rowley):** Madam Speaker, it is always a pleasure for me to respond in a debate after my friend the Member for Couva North because *[Interruption]* I do find him very entertaining. Notwithstanding the seriousness of any issue, my friend has that talent for reducing it to the act of a stand-up comic. Given all that we expect, I do not think “Sprangalang” could have done a better job.

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I want to start off my contribution by putting on record my sincerest congratulations to my colleague the Member for Diego Martin Central, the Minister of Trade and Industry, who has been able to bring this issue to fruition in such a professional way. I want to congratulate the unions of BWIA and the staffers who have not permitted themselves to be distracted or misled by the positions of those on the other side.

I agree that what we are trying to do today is something which we have not done before. It is historic. What is good about it is that we have been able to come to a position on the basis of logic and professionalism. That is why, notwithstanding the anticipated position of those on the other side, those who really understand the issue, and those who have a stake in the issue, have seen it fit to take the course of action that my colleague the Member for Diego Martin Central outlined earlier.

**3.40 p.m.**

There is a lot of emotion about BWIA, and as a national of this country, I too, feel some sense of pride and ownership where BWIA is concerned. We have grown up with it as our airline, and there are those who believe that that is sufficient reason to take any ridiculous position with respect to BWIA. One would get the impression that we always had it, it was a part of our navel string, and therefore, if we sever this navel string we are not going to be able to advance in life.

My colleague the Member for Couva North pointed out that the airline had belonged to a Mr. Yerex at one stage, then it belonged to the British. By 1961, it was the property of British Overseas Airways Corporation (BOAC) and because we used it out here—we had a nexus with it—we are being told that it must remain so.

Madam Speaker, I want you to cast your mind back to the time when the Government bought BOAC and created BWIA. It was not out of any policy position to create a patrimony; it was out of a development over which the Government had no control, and in fact might have only read it in the newspapers. The Government bought the airline when the owner, taking a business decision, decided that it would no longer operate out of Trinidad and Tobago.

Like many things that the Government did from then until now, the real consideration there was to preserve the status quo, to save jobs and maintain transportation links. Out of that grew arguments that it had to be so. I want to make it abundantly clear that I have no problem whatsoever with the Government of Trinidad and Tobago owning an airline.

I have no problem whatsoever with BWIA being viewed as the national patrimony. I have a problem with respect to the priorities of this Government for national development and what this ownership is going to cost those persons whom I have the honour to represent. I speak specifically about the people of Diego Martin West who have elected me to Parliament to represent them.

**Mr. Humphrey:** Madam Speaker, I just want to know if the hon. Minister is aware that in 1961—when he claims that the Government of Trinidad and Tobago bought BWIA from BOAC because they were selling—Sir Hugh Wooding headed a committee negotiating for the purchase of BWIA in the name of the Caribbean and to establish it as a Caribbean Air Carrier. The Government bought it through that committee.

**Dr. The Hon. K. Rowley:** Madam Speaker, I do not see how that changes my position. The point I am making is, what are the facts? The facts are: We own an airline; it is 100 per cent owned by the State. It is a limited liability company, but with access to the Treasury of Trinidad and Tobago, insofar as we have an obligation to meet the needs of this airline. And what have been the needs over the years? I want for the record to tell you what the needs have been.

Some Members got up in the Parliament here a short while ago and talked about neglect; that we have come to a position on BWIA as a result of neglect. Madam Speaker, I want to point out to you the nature of that “neglect.” Total funding to BWIA over the period 1980 to 1993:

Year	Total Funding \$ million
1980	416
1981	235
1982	149
1983	132
1984	112
1985	72
1986	73

and the year when my friend came into office;

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	\$ million
1987	69
1988	73
1989	57
1990	57
1991	100
1992	54

But these are support funding, actual cash.

The airline was carrying on its business and when its books were assessed, this is what the bottom line at BWIA looked like over that period. Losses! Because that is all it had been—

Year	Net Losses \$ million
1980	\$112

and I am rounding off the figures—

1981	\$113
1982	152
1983	104
1984	81
1985	124
1986	48
1987	120
1988	131
1989	105
1990	231
1991	116
1992	54
1993	170



I do not have the figures for 1994, but rest assured the loss quota is there. The grand total of that is \$1,668 million in losses. Madam Speaker, those are the facts.

My friend the Member for Couva North would have us believe that this situation is as a result of corruption, waste and mismanagement, And if left to him and his motley crew, they would remove—*[Interruption]* Just to make sure, I would clarify that. Left to him and his powers of attorney he would correct that by removing the waste and corruption. That is a logical argument, and maybe he is right. But he places that at the foot of the PNM Government; that it is something endemic to PNM—waste, mismanagement and corruption resulting in \$1.6 billion in losses.

### **3.50 p.m.**

I shall read from a document which I came across in my research on the airline industry. It is a document from Astronautics Incorporated in 1994. The first paragraph states:

“The commercial air transportation industry lost more than \$10 billion over the last four years—more than it had earned cumulatively in its entire history.”

In short, airlines have lost more money in the last four years than they have earned in the entire period of commercial air transportation.

“And while it looks as if American, ...”

Hear the names I am calling, Madam Speaker; not BWIA.

“... United and Delta will remain in business as top majors, their stars are shining a little less brightly. American has undergone retrenchment and has promised to do more as it seeks to return to profitability. United has become employee-owned in exchange for wage reductions. Delta, which had a long history of never laying off staff, is now reducing its work force by 15,000 or 20 per cent. US Air, profitable through the first dozen years of deregulation, has suffered through several years of staggering losses despite heavy financial infusion by partner British Airways and early cost cutting.”

That is the scenario of the airline business. Since the argument my Friend, the Member for Couva North, is that BWIA's loss position and difficulty have to do with waste, corruption and mismanagement, I ask him: what has that to do with PNM? I should like to know if he would also describe their circumstances as a result of waste, corruption and mismanagement.

**Mr. B. Panday:** I do not know. I am not talking about theirs.

**Dr. The Hon. K. Rowley:** Madam Speaker, I make this point only to demonstrate the environment in which BWIA is conducting business. BWIA is no different!

May I quote from another document: *Industry Surveys*. After describing the airline industry, it says:

“The result has been bankruptcy and collapse for some and extreme hardship for all. During 1991 and 1992, Pan Am, Continental, America West, Midway (a large national airline) and Trans World Airlines (TWA) were forced to file for protection under Chapter 11 of the Bankruptcy Code. These five carriers joined Eastern Airlines ... among the majors. Eastern, Pan Am and Midway all ceased operations in 1991. TWA and America West continued to operate under bankruptcy court protection...”

The only reason BWIA was not listed among these casualties was that it had access to the Treasury of Trinidad and Tobago. That is the only reason! It had nothing whatsoever to do with anything else but the fact that when BWIA faced the same situation which these carriers faced, it had access to the Treasury of Trinidad and Tobago.

The request comes to the Government for support. In the short period of time that I have been a member of the Cabinet, I have had to provide support to BWIA—significant sums of money transferred. The Government will not go bankrupt. The difficulty that it will face is with establishing priority. When the Government gets a request from BWIA and those funds are found, they are found at the expense of something else.

I represent the constituency of Diego Martin West. The people who elected me in that constituency have children and those children want a future. Today, in Carenage there is an absence of a primary school, resulting in 100 per cent overcrowding in Carenage Government School.

**Hon. Member:** They will not get it in BWIA.

**Dr. The Hon. K. Rowley:** As a Member of Parliament, I have to approve umpteen millions of dollars to support BWIA while not providing a school in Carenage. With all due respect to my Friends on the other side, insofar as I have to make a choice between the present arrangement—as constructed by my colleague, the Member for Diego Martin Central—and providing a school for the children of Carenage, I come down on the children’s side every time.

**Mr. The B. Panday:** Lenny Saith's loan can build a school.

**Dr. The Hon. K. Rowley:** If we are to continue along the line that I have just outlined, providing the quantum of support that is required to maintain 100 per cent control of BWIA, at the expense of the children of Carenage, I would be supporting an arrangement which would permit us to have an airline and also to have the school. In Diego Martin, right now, there are a number of children who cannot go to school because there are not enough school places. If you look at the appropriation, it is the same all over the country because the bottom line is priority.

Insofar as we are saying that we can only have an airline in this country if the Government owns it 100 per cent and also funds it 100 per cent—

**Mr. Sudama:** Who said that?

**Dr. The Hon. K. Rowley:** That is what they are saying. The Member for Couva North outlined their policy very clearly, so I would not get into any argument with them. What is the present arrangement? We have developed a business plan and a corporate structure which will allow the Government to continue to have a substantial stake in the airline, which will allow the employees through their various unions to own up to 25 per cent of the airline and the rest of it would be sold to any regional or local investor who so desires.

As far as the Opposition argument goes—this thing about patrimony and losing BWIA and all that—it has to be that they have a problem with moving from 100 per cent ownership to one of a reduced shareholding by the state. What is the exact figure the Government would own in the new arrangement? Is it 49 per cent?

**Mr. Valley:** It will come down to 28 per cent.

**Dr. The Hon. K. Rowley:** After the Government has sold to the open local and regional markets, the union will own 25 per cent. They are seeking to mislead the population. If the Acker-Loeb group will have control of 25 per cent—

**Miss Nicholson:** Madam Speaker, I just want a little clarity, please. The Member said that the union will be able to own 25 per cent but the document talks about 15.5 per cent, so I would like him to clear the air.

**Dr. The Hon. K. Rowley:** Plus 10 per cent Employee Stock Ownership Programme which will come over the years. As the airline operates, the employees would get stock option, so eventually their ownership will move. They start at 15.5 per cent and it will grow towards 25 per cent. That is what the

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Government is putting in place. One quarter of the airline would belong to those who earn their livelihood in the airline. I thought that Members on the other side would have seen it fit to support that because that can only act as a catalyst to bring out the best, both as investors and as employees, in the workers at BWIA. But they have a problem with that.

**4.00 p.m.**

Insofar as the business plan would allow investors—whether local, regional or foreign—to take up a stake in this airline, one would have thought that they would have supported that arrangement. There is absolutely nothing to prevent any local investor, who is so inclined to invest his or her money in BWIA, from doing so. But they talk to give the impression that some kind of deal is struck which rules out local participation. Nothing could be further from the truth! I understand why they have to do that—because the adversarial politics which is the—what do you call it—

**Mr. B. Panday:** The nature of a system.

**Dr. The Hon. K. Rowley:** The nature of a system seems to drive them outside of reason. Because even when the facts are crystal clear, they still take a position which defies logic. We are being told that they would have an approach of trisector—where the unions will have a third, the Government will have a third and, maybe, they will legislate for somebody else to have a third.

**Mr. Mottley:** A parliamentary committee.

**Dr. The Hon. K. Rowley:** A parliamentary committee can have a third.

**Hon. Member:** The private sector.

**Dr. The Hon. K. Rowley:** But the private sector may not want to get involved with you. It is a voluntary arrangement.

**Mr. B. Panday:** As long as you are giving away, they do not want to be involved.

**Dr. The Hon. K. Rowley:** Okay, let us talk about the giveaway story. They keep trying to give the impression that we have given away something. If the New BWIA is a giveaway, that says something for the local business community. Because if it is, in fact, a giveaway, then I should have thought that the local business community for whom the Member is pleading this afternoon, would have rushed to get involved—

**Dr. Baboolal:** Parasitic oligarchy.

**Dr. The Hon. K. Rowley:** —to get that deal for nothing and be the beneficiary, because their gain is the Government's loss.

**Mr. B. Panday:** They are not prepared to work with Acker.

**Dr. The Hon. K. Rowley:** On the one hand—

**Mr. B. Panday:** He is history!

**Dr. The Hon. K. Rowley:** —they are telling you it is a giveaway, but on the other hand, the locals do not want to get involved. But, I am not going to be sidetracked by the chronic negativism and the death wish of those on the other side, because you see, I am confident that in the not too distant future, when this business plan begins to work and we have a viable airline flying out of Trinidad and Tobago—

**Mr. Sudama:** For whom?

**Mr. B. Panday:** Mr. Acker will be laughing all the way to the bank.

**Dr. The Hon. K. Rowley:** —what they are saying this evening will be placed in its correct perspective.

They are good at denigrating people, calling people names, allegations without support and all that. But that does not in any way clarify the issue, or advance the argument. That is par for the course. They would have us believe that we are doing something—he read some comical thing there about a eulogy and how the relatives in the Caribbean are mourning.

If the relatives in the Caribbean are mourning today, I sympathize because, as Member of Parliament for Diego Martin West, any of our Caribbean neighbours who see it fit to mourn now, as we seek to restructure BWIA to take this strain off the national Treasury, and put a viable airline in place—insofar as they see that as grounds for mourning, then, they are free to mourn. Because you see, I, for one, am fed up with the general Caribbean hypocrisy, especially when I am paying the bill.

I distinctly recall, when Dr. Williams went out of his way to seek to convert BWIA into a true Caribbean regional airline. History will show that we have stood alone with this burden throughout its existence; and insofar as today we are taking steps to relieve ourselves of some of that, it is not the business of anybody but the Government and people of Trinidad and Tobago!

I will go further to say, that not only did our Caribbean brothers not stand with us with the vision of BWIA, but on many occasions sought to put obstacles in our

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way, and Trinidad and Tobago carried the burden. Well the free lunch is over! We are in this together—or we are not in at all!

**Mr. Maharaj:** He is attacking the Caribbean governments now.

**Hon. Member:** Caricom gone!

**Dr. The Hon. K. Rowley:** Madam Speaker, there were times when we had to compete against fly-by-night airlines of convenience, as we sought to create the Caribbean airline for which we pay. There were times when, instead of BWIA being an asset for us in regional ports, it became a liability—the source of—I do not want to use the word “blackmail”; it is too strong a word, but I want to say—the source of concern in our negotiations on other matters. These are the facts. So that is what the history has been, and we have been carrying it all the time.

I do not know that the Government of the United States owns any airline, but it would be quite wrong to say that the people of the United States cannot have access to air transportation. Many of my constituents do not own any taxis, but they get to town, you understand, Madam Speaker? So to come and talk about: We are going to be cut off from the rest of the world because the Government does not own 100 per cent of BWIA” is not a sound argument.

**Mr. Humphrey:** Who is making that argument?

**Dr. The Hon. K. Rowley:** That is your argument. When the argument is presented that we would lose this access to the outside world, it is merely in the context that we would only have that access if it is a state-owned business. I cannot understand the logic, for the life of me, because the Government will continue to have a substantial stake in the new airline, with the partnership of the four unions and other investors who will now have to run it to get a return on their investment. What other arrangement offers a better prospect for a viable and profitable airline?

Air France, one of the better known state-owned airlines, continues to be very much in the position of BWIA, requiring billions of dollars from the French treasury. Maybe, they can afford to do that, but in 1995 we have had to change our approach to how we spend the income we get, whether it is with BWIA, or with the energy sector.

There was a time when any drilling that had to be done in this country had to be done through state companies; and of course, if the hole was dry, as we experienced recently, it was for our account—US \$25 million. Current realities suggested the prudent, that this is not the way to go, so we have had to find other

ways of getting our business done—sharing the risks and sharing the benefits. I do not know what is the problem that the other side has with the singular occasion on which we have been able to attract investment to bring about the divestment of BWIA which we have been seeking to do for so long.

**4.10 p.m.**

When they told us that they would not do that, we went out to a number of other airlines and they all had no interest in BWIA, so that option was not available to us. The other option was to keep it and fund it, and the third option was to keep it and not be able to fund it, which would have meant the closure of the airline. That was an option. Let us not delude ourselves at all, that was an option.

If we could not find a way of getting out of the arrangement where we had to come up with hundreds of millions of dollars to keep BWIA flying, the option of closure was well on the cards and I, as MP for Diego Martin West, with other priorities like schools, hospitals and so forth, would have had absolutely no difficulty whatever in doing that. But I wanted to avoid it, so I encouraged my Friend the Member for Diego Martin Central to use his professional skill, with all those involved, to get where we are today. That is why I support this Bill 100 per cent. We have avoided something far worse.

**Mr. Humphrey:** What about a fourth option? Could you not consider another option?

**Dr. The Hon. K. Rowley:** There are always other options. Another option is to print—what do they call it?—Trinity dollars and try to pay for it.

**Mr. Humphrey:** Was there an option to sell it to the workers?

**Dr. The Hon. K. Rowley:** We sold it to the workers.

**Mr. Humphrey:** No. One hundred per cent to the workers? Was there such an option?

**Dr. The Hon. K. Rowley:** It was such a prime jewel—

**Mr. Humphrey:** Were the workers prepared to give a kickback to you? No way.

**Dr. The Hon. K. Rowley:** Madam Speaker, the Member of Parliament for St. Augustine is not the authorized spokesperson for the workers. The authorized spokesperson for the workers has spoken, and there is an arrangement with which they are well pleased. July 1991—

**Mr. Maharaj:** The trade union is pleased, not the workers.

**Dr. The Hon. K. Rowley:** That is what representation is about. Maybe you do not agree, but I understand that the union represents the workers. That is why they want a power of attorney for you.

They make out this thing to be what it is. In July of 1991, British Airways declined. In July of 1991, British Midland declined. July 1991, Continental Airlines declined—and I presume at that time, my Friend the Member for Tobago West would have been a member of the Cabinet and would have been familiar with this.

In June of 1991, KLM declined. Northwest declined in July of 1991. Madam Speaker, do you see what I mean? Shopping around to find participation.

**Hon. Member:** Foreign partners.

**Dr. The Hon. K. Rowley:** Foreign. Listen to the magic. They were trying to do it in 1991 and did not get it done. They appointed a CEO and gave him six months to get it done. He did not get it done. We got it done now and they are accusing us of haste. We get the job done. We are the PNM; we get the job done.

Madam Speaker, Swiss Air declined; United Airlines declined; Delta Airlines declined; Lufthansa declined; US Air declined. [*Crosstalk*]

**Madam Speaker:** Order, Members! Order!

**Mr. Humphrey:** Give your constituents the school they want!

**Dr. The Hon. K. Rowley:** They will get their school this year so we shall have the airline and the school.

**Mr. Humphrey:** Because of BWIA? Because Acker is giving it to you.

**Dr. The Hon. K. Rowley:** I will invite you to the sod turning ceremony of the—

**Mr. Humphrey:** And I would not come.

**Dr. The Hon. K. Rowley:** I know you would not come. You cannot take it.

I was hearing from my colleagues on the other side this thing about local as against private foreign. Having been misled into believing that the local private sector has been cut out, they went on to give the impression that divestment is only to be local. That cannot be a serious position and I am sure my Friend the



Member for Tobago West will agree with me, because in both instances when they divested state assets, it was to foreign participation.

**Miss Nicholson:** Very successful and you all were against it.

**Dr. The Hon. K. Rowley:** Telco was divested to Cable and Wireless.

**Miss Nicholson:** Very successful.

**Dr. The Hon. K. Rowley:** Quiet. I am not aware that Cable and Wireless is a local company and she says, "Very successful." and I agree. Divestment to Cable and Wireless has been successful. What is this problem about local versus foreign? The problem is one of ideology. My Friend the Member for Couva North has his roots in an ideology of WFP that died in 1966. He has been grafted on top of that and he has a difficulty in getting away from ideological positions.

On this side, when we talk investment and we say we go to open tender, we mean open. There is no ideological position on the matter. If there are people in the local sector who want to invest—and we encourage them so to do—then we get them on board. If there are foreigners who want to invest in our economy, then we get them on board. The world is moving in that direction. We are moving into a one-market Caricom arrangement. What does "local" mean? Trinidad and Tobago? Barbados? Jamaica? ACS? Venezuela? What does it mean?

**Mr. Humphrey:** It means Diego Martin West!

**Dr. The Hon. K. Rowley:** I want to ask a question: Insofar as we had found ourselves in a position where those on the other side had the option to carry out this business now and they insisted that divestment be only to locals—Madam Speaker, let me quote something from another document here, from *Aerospace & Air Transport*. It says:

"AMR . . ."

AMR is the parent company that owns American Airlines.

"AMR intends to ground 42 *DC-10* aircraft in 1993 and 1994 because they are expensive to fly in certain kinds of markets. AMR will also retire a number of 727-200 aircraft and announced the layoff of 5,000 employees . . .

United . . . by retiring 25 wide-bodied aircraft."

What I am trying to show is if one is in the international airline business, one of the things that one has to do is just that—upgrade one's fleet—because if one holds on to old fleet where operating costs are higher than one's competitor, it is

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only a matter of time before one goes out of business. If one wants to stay in business with one's competitor, one has to upgrade one's fleet. Madam Speaker, you know the story of our fleet; it fled.

Members opposite talk about giving away the national patrimony and all those hundreds of millions I spoke about there; I was talking about 11 planes which cost \$1.6 billion and we are just about to acquire some more. I want to ask: Are you confident that the local business community, banking and otherwise, had the wherewithal to isolate itself from international financing to be able to do for BWIA now what is required to be done with respect to equipment, and also with respect to making the vital connections that are required to have the synergies to ensure that the viability that we aspire to, would be attained?

The involvement of the foreign group in BWIA is not ideology. It is pure business. We are not the repository of all knowledge and intellect. In the business world we are but a drop in the ocean. I read a moment ago of the plight of the giants—Delta and American—and if we are to stay in that business, we would deceive ourselves if we took the position that we do not need partners. There is a lot to be gained by having the right partner. At one stage, as my Friend the Member for Tobago West will tell you, it was not only the right partner—

**Miss Nicholson:** Your Friend knows.

**Dr. The Hon. K. Rowley:** —it was any partner at all.

We have made our position very clear with respect to divestment. We have said how we will treat with the state's business portfolio. We said so before we were elected. We wrote our position in our manifesto and everything that we have done to date is against the background of that policy. Our policy is not evolving as we seek to score political points on the other side—policy on the hoof, as one is reading, one makes it. That is not how we did it.

**4.20 p.m.**

We examined the situation and sought to find out what was the best course of action for the people of Trinidad and Tobago. There are those who will give the impression that by the state not owning 100 per cent of BWIA, we are putting tourism in Tobago at risk. It is this administration that is making the greatest mark on the growth of tourism in Trinidad and Tobago. This is the administration that is putting tourism in the forefront. I am not going to get into any debate on that. The facts will speak for themselves.

Look at what is on the cards for Tobago at the moment in terms of new plant; in terms of refurbished plant; in terms of expanded plant, and you will see on the

horizon for Tobago, growth in tourism under this administration that you did not see at all under the last administration.

Do you want an example? The Crown Reef Hotel, as a going concern, was closed down, in what year? Could my friend from Tobago West help me?

**Miss Nicholson:** The year 1988.

**Dr. The Hon. K. Rowley:** It was closed. It was in operation and it was closed down in 1987/1988. Steps were taken to bring it back into operation at the earliest possible time, because we all agreed that it ought to be put back into operation. The records will show that at the end of the day when they left office, the doors were still closed and the termites were in the roof. It took this administration to pick up the baton from them, and I invite her to the opening in May and we shall have a drink on that. This is the PNM at work, getting the job done. *[Laughter]*

**Madam Speaker:** The speaking time of the hon. Member has expired.

*Motion made,* That the hon. Member's speaking time be extended by 30 minutes. *[Dr. R. Griffith]*

*Question put and agreed to.*

**Dr. The Hon. K. Rowley:** So you see, even where we are in agreement on what ought to be done, knowing what has to be done and getting it done are two different things. We agreed that Crown Reef should have been refurbished and reopened, and we also agreed that Government's stakeholding in Crown Reef could be reduced, and we have managed to do that. We have got a partner. In fact, not only a partner; the partnership has been widened. There is substantial Government shareholding; there is substantial local business involvement; there is regional shareholding which brings some experience to the industry, and we have expanded the horizons of that hotel.

While we are doing that, we have been able to convince local investors to go out and find international partners. I know those on the other side hate to hear the word "international", but we are part of the global village. Pretty soon, as you would have heard, an announcement will be made by local investors that Tobago is looking for a Hilton hotel with a golf course.

How could we, in all consciousness, be taking these initiatives with respect to expansion of the tourist plant in Tobago, and at the same time they are accusing the same people of seeking to remove the connection? All we are saying is, where we differ is that we understand that there is a chicken and egg situation and it

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depends on where you join the circle. If it is that there are rooms which are required by users, wherever they are, the airlines will see business. Nobody in any airline board room decides to fly a plane to Tobago because some Member of Parliament in Trinidad and Tobago says so. If they had their own money invested there, they would do it because it makes sense in the overall international business sphere.

It is only if you are funding it out of the Treasury, and whether it makes sense or not, you would do it. But of course, there is a price that you pay for that at the end of the day. We are saying that there is nothing to prevent good business sense, good business arrangement and good multiple share-ownership. The plane does not have to be owned 100 per cent by the Government to transport tourists to Tobago. That is not a requirement. The Government has an interest. We are protected insofar as there might be developments—we do not know what the developments might be, but insofar as there might be developments—which might run counter to our national vision, perspectives and interests in structuring this deal, cognizant of the fact that we need to secure the investments to be made in Tobago and Trinidad, and the wider Caribbean, for that matter—we have ensured that the Government retain an effective veto over a number of important issues.

Of course, those on the other side will pooh-pooh that brass share, silver share”, whatever. That is their prerogative, to trivialize everything. That is why they, themselves, are reduced to irrelevance from time to time. We have had in this arrangement a golden share, where the Government will continue to monitor, to oversee and ensure that nothing is done by this company that is inimical to the national interest of Trinidad and Tobago.

**Mr. B. Panday:** You do not even know when you have a golden asset and when you have a golden share!

**Dr. The Hon. K. Rowley:** All of a sudden BWIA is a golden asset. These are terms that anybody can use, but at the end of the day the chickens come home to roost. When you sit at the Cabinet table and the request comes for US \$15 million and you want it now, then we know where we stand on this matter.

**Mr. B. Panday:** You cannot run a parlour!

**Dr. The Hon. K. Rowley:** I agree that we cannot run like my Friend the Member for Couva North, because you see, these things are not new. They have been there for quite some time. The people of this country took him at his word that he had another perspective to bring to bear. They put him in the Government

and he ran away from his responsibility. Now that he is at a safe distance from responsibility for these actions, he wants to tell everybody how to run the country.

I understand that he has a problem with the salaries to be paid by this new company to its executive, and so forth. I suspect that the way he intends to deal with that is by way of power of attorney. But that is not an option in the business sphere.

**4.30 p.m.:** *Sitting suspended.*

**5.05 p.m.:** *Sitting resumed.*

**Dr. The Hon. K. Rowley:** Madam Speaker, I was trying to put our enterprise, BWIA, in its correct perspective with respect to the environment in which BWIA operates. Insofar as we are an international airline, I would go so far as to say that all the airlines operating in the international air transportation environment face the same kinds of difficulties, and there are some that manage to make it by virtue of a number of considerations. Take the case of Air France which, in 1994, had to receive \$3.4 billion in support from the French Treasury. That is the same sort of thing, on a relative basis, that applies to BWIA.

We have to see that in the context of what we could do with those moneys if we did not have to provide them for this kind of support. The Member for Oropouche, on a weekly basis, points out a number of problems in his constituency which require addressing, and all of which, require money. The Water and Sewerage Authority—in many cases, we are unable to provide all that is required to provide a potable supply of water. I mentioned earlier the question of school places.

One understands that in 1993 BWIA's losses amounted to \$170 million, but the amount of money allocated for all the hospitals in the country for drugs and medication was \$43 million. In 1995, the allocation for medication in the hospitals across the country is \$49 million. Put that in perspective and one would understand why we have to do something about BWIA so as to ensure that we still have air transportation, but we do not have to make that very brutal choice in priorities where we reduce the expenditure on medication—where in many instances there could be life and death situation—so as to fund the requirements of an international airline.

We on this side do not agree that because the share ownership has changed we shall not be able to access air transportation to the outside. We do not agree at all. In fact, we believe that the arrangements put in place will strengthen the

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company. It is a matter of trust and confidence. We are confident that the programme will work. Those on the other side are not so confident. We do not think they have good reason to be as they are, but we believe that this revitalized new BWIA stands a much better chance than the BWIA which exists today.

The Member for Couva North made the point that, because of the share-ownership structure where 25 per cent will be owned by North American investors, we would have problems with how they extract moneys and their behaviour. That ought not to be confined to BWIA.

BWIA would be a company like any other company and what transpires in other companies would transpire in BWIA. But, to ensure that improprieties do not occur as part of the business culture, in the Investment Agreement, Article 9.12 specifically spells it out under a heading "Absence of certain Practices". There are certain things that will not be done in BWIA without being in contravention of certain rules and regulations.

We sought to safeguard ourselves from these things, but what guarantees can one give in life? Even where there are laws, there are those who break them. So, when one raised those matters, yes, we note them, but they ought not to be raised in a way as to say this ought not to be done because that might happen.

My friend the Member for Couva North spent much time talking about suspicions and allegations. Well, again, what can I say? There is no law which prevents anybody in this House from suspecting me of anything, but if a Member has evidence of misconduct then that Member should be forthcoming with it or be in a position to move beyond suspicion.

I know that it might be politically valuable to give the impression that something untoward has happened with respect to BWIA, all I would ask is: What is this something and who is involved? And, I would get no answers. One would get "the PNM" and "Government Ministers", but one would get no specific instance of misconduct and no specific person being identified. One would get the unfortunate situation of allegations being made against a member of the corporate body of BWIA who happened to be CEO when a decision of business—a dollars and cents decision—was taken to do some repairs on a plane.

I do not know how it came about, but there is a board at BWIA which, I presume, would be part of the decision. It is quite unfortunate under those circumstances for it to be made out in the Parliament that this was an act of corruption on the part of the CEO. The CEO reports to a board and I can tell you—my friend the Member for Tobago West can also tell you—that members of the

board of BWIA are persons who have been selected for what we presume to be their level of demonstrated integrity.

It is quite wrong, in the absence of any evidence, to come here and seek to tarnish people's image simply because a Member suspects that something might have happened. That is wrong and I would say time and time again that this is not how we are to conduct our business in the Parliament.

I want to mention a group of persons who have a different point of view to the Government's. Those are persons with vested interests. I cannot tell persons what vested interest to have. What I can tell you is that I too have vested interests, and as a representative of the people, I represent people who have a different kind of interest.

There are some persons who believe that because the Government is their godfather and the Government gave them a hotel and they do not pay back a cent of the loan, the Government must have an airline to bring passengers to the hotel as well. They believe so and they are free to believe that. All I will say on that count is that the money they are using to pay lawyers should be used to repay their loans. That is all I would advise on that.

There are also those who believe that they could stay in New York and tell us to maintain 100 per cent of the funding to a state airline as against funding of our schools, so that when they feel to come home for carnival they could fly on "we plane." I will tell those people that Angostura is "we company," Government does not own it; Eastern Credit Union is "we own too," Government does not own it; and I am still drinking my rum and I still have my credit union shares.

This thing about "we own" and "we own"; it is all "we own" but at the end of the day it boils down to good business sense. That is what we are doing here. We are putting good business sense in to practice and changing a situation in, as the words of the song say, "we just cannot go on that way". We want to ensure that what we put in place is something that has the best chance under the circumstances of surviving.

My friend the Member for Couva North made heavy weather of the fact that we paid Acker Loeb US \$150,000. But that is in the context of a situation where we are losing \$1.6 billion and running around the world's headquarters looking for airlines in the business to be interested in even talking to us about it—they are not even interested in even talking to us about it because in their eyes it does not make sense and they want no part of it. Under those circumstances a fee of \$150,000 is an issue? Come on. They could not be serious. Look at how it came about.

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**5.15 p.m.**

There was a situation where we could not interest anybody to talk to us about partnership, and eventually, through First Boston, our advisors, we located these people and we encouraged them to come and look at our situation. They reluctantly said, they would look at it, but it would involve costs along the way, and given the obstacles which at any moment could bring an end to it; they would want to ensure their costs were covered.

The Government was happy to pay US \$150 to get a due diligence done so as to be able to show what was there to a prospective partner, to be able to interest that partnership which we are now seeking to cement here today. What is wrong with that? Having generated the interest, based on what we saw in the business plan, we said we would pay them to develop the business plan which would be the basis on which to attract investment.

This is a normal arrangement in the business world. The fact that the Government owns the airline does not change the business parameters. Those who believe that because Government is the owner it must behave differently in the business world are those who will not always understand that governments will end up in difficulty in business. One has to understand that Government ownership in business practice does not change business rules.

So to come to the Parliament and make a big issue about \$250,000 spent in seeking to get a solution to the haemorrhaging of over \$100 odd million clearly, is trying to trivialize something which is more serious than that. It cannot be a serious point.

I want to close by quoting again from the international perspective which is the environment in which BWIA operates. It is an international business, part and parcel of the international vagaries. To quote from this article by Forbes, May 1994, it says:

“Cutting those costs is not easy “

When my friend the Member for Couva North trivializes it and says that he and his setting sun party will immediately do this, and then everything would happen. I want to direct him to Forbes, May 1994, talking about the problems of cutting cost, in the airline industry, it says:

“Cutting those costs is not easy...”

And I will add, PNM or no PNM.



“...That is why United Airlines is giving away more than half of the airline to the unions in return for wage and work to rule concessions.”

Not my words, the words of the expert. Giving away more than half of the airline to the workers, in seeking to survive in a serious cut-throat business. It goes on to say:

“Most airline managements have thrown up their hands and passed the buck to their labour unions saying—help us compete or face the loss of your jobs.”

These are the realities. This talking about two-by-four, fly-by-night airlines, this is talking about the leaders in the business, about the environment in which BWIA has to operate. In that situation we as a Government also having a stake in there, having an interest to protect like everybody else, wanting to ensure that is our flag carrier, have taken steps to restructure the airline, to put it on a sounder footing.

We have every confidence that we have made the best deal available under the circumstances. We do not expect our detractors to hug us up over it; what we do expect are rumors, allegations, denigrations and trivializations.

But that will pass with the days, and the airline will be owned by the Government, the four trade unions and their members and all those investors who have confidence in what we have done. At the end of the day we will still have in this country an airline that is owned largely by the people of Trinidad and Tobago serving our interest in this country and the wider region; and that is the best we can do.

Madam Speaker, I commend the Bill to the House.

**Miss. Pamela Nicholson** (*Tobago West*): Madam Speaker, I am very pleased to be here today to listen to the contributions of the Members of the People's National Movement Government; a grouping which totally criticized the actions of the previous government, the National Alliance for Reconstruction, when it decided that BWIA would be privatized. What was it? They said we were selling away the patrimony of the country. I repeat it here every week for the persons whom I always want to remind—to tell Laventille and Morvant and those areas that unless they understand this grouping, this country would always remain in the dilemma in which it is.

We were giving away the patrimony of the country, they said, we were putting pressure on an already pressured and beleaguered grouping. I cannot forget those

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words *[Interruption]* I am not giving up, I have just started. I could never forget, I have already repeated it and I will repeated it until “Thy Kingdom come.”

TELCO, is one of the most profitable institutions in this country today. The PNM was totally against privatising that grouping. They organized the people to march and dance and prance in the streets of Trinidad and Tobago, so I am pleased that they are here today, understanding what must be done in this country. I heard them talk about pragmatism and so forth, I am pleased!

I am not at all against privatization. My problem is with the approach the Government is taking. Is that the best approach for the country?

I will never support giving away the assets of the country to a grouping in which the people have no confidence. Why should Trinidad and Tobago do that? A consultancy group buying into BWIA 25.5 per cent shares.

The Member for Diego Martin West: congratulated the unions and he was pleased that they were not distracted by other people from the other side.

If the unions did not have “belly”, Madam Speaker, if they did not have moral fibre within them they would not have been shareholders in this institution today. They had to fight the People's National Movement Government tooth and nail with respect to their own pension money, being there, and the PNM Government is now using the workers. That is what we read in the newspapers. *[Interruption]*

**Madam Speaker:** Let the Member continue, please!

**Miss P. Nicholson:** Madam Speaker, he said that is emotion and because of emotion they will not take ridiculous position. They will not implement to maintain the status quo as the former grouping did, because that is what he said—the reason BWIA is here today is, that the previous grouping entertained the *status quo*. He went on to say that BWIA is here because it had access to the treasury of Trinidad and Tobago. I agree with him.

What did it achieve? I am so pleased that I was a part of the National Alliance for Reconstruction. I am so pleased that I functioned under a Prime Minister called ANR Robinson, I am so pleased that I functioned under Finance Minister Mr. Selby Wilson. Why am I pleased? Because we were the people who investigated the BWIA case and recognized what actions should be taken. But why the haste? They are being criticized *[Interruption]* NUCOR would deal with the haste. We had decided firstly to try to see—nothing wrong with the selling of the planes and leasing them back; that is the traditional operation in the world today. *[Interruption]* Shut up your mouth!

**5.25 p.m.**

We tried to function with the regional governments in order to arrive at a solution with BWIA accommodating LIAT to form one institution for the Caribbean, which is really the best thing. I believe there is still some insularity in our community in the Caribbean which we have to struggle to resolve. We cannot criticize them in the way that the Member for Diego Martin West did here this evening. We have to be very careful with that kind of approach when we want to talk about Caricom. We have to struggle and try to resolve that kind of problem.

In our effort to privatize BWIA, we did so in relationship with certain foreign enterprises. We were unable to complete that approach before the end of our term. Nothing is wrong with that. Another grouping would come and it could carry on. If the background work is done, it would be easier to go forward.

Even though Trinidad and Tobago BWIA did not become the Caribbean airline, it was able to achieve certain goals. While we were struggling to do this task, we recognized that even though it was one airline we were trying to get, Trinidad and Tobago must play a central role. We recognized that Trinidad and Tobago must have the major say in what was taking place.

Even though we were unable to achieve the goal that we had set, one must feel proud that over the years, even when the PNM ran the country, BWIA was there to play a certain role in the Caribbean. What was that role? It subsidized the development of most of the Caribbean islands. The development and maintenance of a number of Caribbean islands were based on the role that Trinidad and Tobago played BWIA. The development in the tourism industry in Barbados, St. Lucia, Antigua and Grenada is the backbone of those economies. Today, these countries are world destinations as far as tourism is concerned. The economy of these islands depends on tourism.

We, in Trinidad and Tobago, only recently, recognized that tourism can play a very significant role in our country. We now recognize that besides energy, tourism must be given emphasis. Now that we have made those other islands world destinations for tourism, we decide to give away BWIA when it is needed most for Trinidad and Tobago. That is the fundamental argument here today. It is very important. Billions of dollars were used by the Government of Trinidad and Tobago to develop tourism and the economies of the Caribbean islands.

**Mr. Valley:** At whose expense?

**Miss P. Nicholson:** At the expense of Trinidad and Tobago, but when the country is ready to push off, it is giving it away. [*Interruption*] Madam Speaker, I appeal to you for protection. I am very serious this evening.

**Madam Speaker:** Hon. Members, please take note. It seems as though the Member is disturbed by the interruptions. [*Interruption*] Order!

**Miss P. Nicholson:** When we are ready to push off the Government is giving it away.

What is tourism? The environment in tourism is fiercely competitive. It is a very aggressive area. One of the important things to support tourism is ownership of a steadfast and reliable airline. BWIA showed it with the other islands. We used to subsidize them with billions of dollars. Look at the Jamaican situation. Jamaica recognized what the ownership of an airline meant and with the analysis, it recognized that even though the Jamaican airline did not make money, tourism would make the money and was needed to strengthen the economy of the island. When Jamaica achieved its goal, it sold it? To whom did Jamaica sell the airline? It was sold to a local entrepreneur who, from his private perspective, linked up with other foreign institutions.

As far as I am concerned, it is very critical and any progressive thinking government would have recognized that this is not the time to deal with BWIA in the way it is doing. If BWIA has to be subsidized to achieve certain goals, it should be subsidized. The finance that would be gained from tourism would build the schools, hospitals and the building that the Member for Diego Martin East this morning turned the sod to build. Subsidize BWIA. [*Interruption*] Madam Speaker, I want to behave very well here.

**Madam Speaker:** You are behaving very well.

**Miss P. Nicholson:** I do not want to have a fight with the Member this evening, but it is leading to that.

**Madam Speaker:** The hon. Member is a very experienced politician. Nobody is really interrupting the Member. The Member is making her contribution. If you have your crosstalk, just lower your voices a little, please. I cannot prevent the crosstalk, but just lower the voices.

**Miss P. Nicholson:** This is a ridiculous time at which the Government wants to sell this institution. Only a dotish, inexperienced government would take the kind of action that the People's National Movement Government is taking today.

I am so disappointed. We are not hearing anything from the intellectuals, financial experts of this country the economists of the University of the West Indies. You are not hearing the press. There is only one newspaper that has been commenting, making solid comments. It must be congratulated, even though I do not like the newspaper.

You do not have to like any newspaper, but only one newspaper has been investigating—that is the *Mirror*—and making serious comments.

**5.35 p.m.**

**Mr. Valley:** I wonder whether the hon. Member could inform the House whether she was part of the Cabinet that gave the current board of BWIA six months, in 1991, to divest the airline—to find a foreign strategic partner?

**Miss P. Nicholson:** Not to put it under the control that they are talking about.

**Mr. Valley:** The Cabinet Minute that I read from said that the mandate was to find a strategic foreign partner for the airline. *[Interruption]* It is a minority shareholder that we are looking at—25.5 per cent.

**Miss P. Nicholson:** Madam Speaker, the NAR Government would never have acted in that way. We would have acted against the background of tourism. *[Interruption]*

Madam Speaker, please make these backward, inexperienced people shut up, please. He will have his time to reply. I am appealing to you for support here this evening.

**Madam Speaker:** I cannot prevent the Members from making utterances; the most I can do is ask them to lower their voices.

Hon. Members, I plead with you to let the Member continue without interruption.

**Miss P. Nicholson:** If tourism is a serious alternative in the economy of this country, as the Member for St. Ann's East argued in the budget, air transport is very critical; destination infrastructure is very critical. For example, when the Crown Point runway was extended and developed, immediately it stimulated action in Tobago. Neal and Massy came forward with a plan for Courland; Angostura came forward with plans for Lowlands Estate. There was the Crown Reef situation—a run-down hotel which has now developed into the Coco Reef Hotel. When the NAR Government left there a Bermudan hotelier was highly

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involved in becoming the owner and it continued with certain locals who I know applying to become part owners.

I know about Mr. Bob Yorke. It has evolved into what now exists and it all emerged from the action which was taken with the runway and so forth. There was Coco Reef, which is now owned by—the Member named a number of people, but I know that there are two Tobagonians in it—Mr. Bob Yorke, Mr. Isaac McLeod; and there is Mr. Jeffries, the hotelier from Bermuda.

There were several smaller hotels and guest houses emerging. People from Tobago were becoming involved. Trinidadians who owned lands in Tobago were becoming highly involved. Today, everybody is worried and scared. What is the alternative if one does not have a functional and economically dynamic—airline of which the Government of Trinidad and Tobago is in control, just as we were in control to assist the other islands of the Caribbean?

The business people who have not started, even though they have their plans and so forth, must be worried. When one constructs one wants to know that there is a sustained transport service. There are several airlines which used to function in Trinidad and Tobago that no longer function here. One has to look at that. The only institution that one has been seeing is BWIA. One needs to have faith and confidence in BWIA in order to invest one's money. For Neal and Massy to spend its money it must have faith and confidence that there would be a proper airline service; for Angostura to do that, it must have faith. There are other institutions which are developing. For example, Grafton Beach Hotel is now putting down another 100 rooms. All of them are worried.

There is an argument being postulated that there can be an alternative and that alternative is to charter. Many of the hoteliers are worried about that. Caledonia Airways demonstrated that those fears were not unfounded about a week or so ago. They went to take off and two tyres blew and they were on the ground for anything like 16 hours.

When investigations were done and information received from people who were very involved in the airline service, they were deeply concerned about chartered airlines and their maintenance system.

This is one of the reasons why people want to know what is happening to BWIA. People would like to know that if the Government has the majority shares, it must have the majority say—not Acker. The Government must be in control of what is taking place.

It is said that if tourism is now a priority, then BWIA and what we are doing with it should be a priority as well, and we can put our money where our mouth is regarding BWIA because of what it can do for tourism. If we want to develop the tourist plant, which is mainly in Tobago, and we want the people in Chaguaramas to build their hotels and so forth, they must be confident that we have a solid airline service. Barbados used to be confident. When other airlines moved out of Barbados several times, there was always BWIA; when they moved out of Antigua, there was always BWIA.

A week or two ago, the Member for Diego Martin East in a debate here said that the Member for St. Ann's East was excited and alarmed at what he saw when he went to those islands. All of those developments were because of BWIA, and Trinidad and Tobago money. Now Trinidad and Tobago wants its money but Government's mouth is locked. It is taking crazy decisions and coming here to tell us about golden share. Golden share of what?

We cannot entertain these vague documents, which tell us about merger or consolidation with our sale of all, or substantially all of New BWIA's assets to any person, including, without limitation, any Caribbean air carrier—that they must have veto powers; any voluntary liquidation or dissolution—veto powers; any strategic alliance or joint venture with any Caribbean air carrier—veto powers.

Also in respect of the acquisition, sale, transfer or relinquishment of any route authority or operating rights involving Trinidad and Tobago—veto power; any change in jurisdiction incorporation, location of principal executive offices or any of the headquarter operations or jurisdiction outside of the Republic of Trinidad and Tobago, or any change in the name of the New BWIA—veto powers. This is vague; it has no weight.

The important thing as far as BWIA and golden share are concerned and what is important to the Government is where the operational base is. If the operational base is in Barbados, all that they are talking about here is a total waste of time. The plane must go to Barbados, the people must pass through there. Baggage can go all over the place and so forth. The important place to which they must be coming is Trinidad and Tobago.

To talk about golden share is a total waste of time as far as anyone who understands tourism, and understands what should be happening is concerned.

**5.45 p.m.**

**Mr. Valley:** Madam Speaker, I wonder whether the Member would inform the House whether one of the conditions covered by the holding share, is in fact the keeping of the headquarters here in Trinidad and Tobago.

**Miss P. Nicholson:** Madam Speaker, headquarters is different from operational base, and that is the fundamental problem. One's headquarters could be anywhere. It is where your operational base is—I am reading from this document—

**Madam Speaker:** We cannot have two Members standing at the same time. Are you willing to give way?

**Miss P. Nicholson:** I am not willing to give way. Madam Speaker, I am not sitting.

**Madam Speaker:** The Member is not willing to give way.

**Miss P. Nicholson:** The reason I am not sitting is that much time has been wasted already and the Member for Diego Martin Central would have his opportunity when he is winding up to clear the air, or any other Member of the People's National Movement. I will be sitting here or I will go home if I feel it is time for me to move. *[Interruption]* Madam Speaker, I have sat a number of times already and I think it is time for me to go forward.

**Madam Speaker:** You have made your decision that you are not giving way, please proceed.

**Miss P. Nicholson:** I have read from a document given to us in this House. The name of the document, "Statement by the Hon. Kenneth Valley, Minister of Trade and Industry and Minister in the Ministry of Finance, on the Investment Agreement for the Divestment of BWIA among the Government of Trinidad and Tobago, BWIA and the Acker Loeb Group and the Loeb Partners Corporation." I am saying here this afternoon that the operational base is different from headquarters. If the hon. Minister has another argument, let him put it forward.

I am not against privatization, but I am concerned about its direction. I believe very strongly that tourism can bring millions of dollars to Trinidad and Tobago as demonstrated by those Caribbean islands that I named, because it is the backbone of their economies. Barbados, St. Lucia, Antigua, St. Kitts/Nevis, Jamaica. Billions of dollars accrued to those countries, through the service that BWIA gave.



Because of that service, there was much development of hotels, guest houses, jobs were created; funds were obtained from landing rights and so forth and that is my argument here today. My argument is that because of BWIA, those countries have developed into world destinations and we are now recognizing the importance of tourism and ready to push off and, therefore, BWIA is critical.

I believe that the sale of BWIA by the Government stinks. Madam Speaker, is that unparliamentary? I have heard far worse words used here—I heard “oohs.”

**Madam Speaker:** I asked you not to pay attention to the “oohs” and “ahs”, they are heard all the time in the House. I think we have grown used to them by now.

**Miss P. Nicholson:** I am trying to bring some sanity here. All right, well it smells very badly.

I have heard the boast of the Minister the Member for Diego Martin Central that the Government would receive preference shares as compensation for the difference between the book value and the market value of its shares in BWIA. This transaction has nothing to do with market value. The preference shares are being issued simply to record a difference between the Government's agreed 49 per cent in the New BWIA under Acker and the real value of the assets being given to Acker by the Government.

Every time one analyses what this Government is doing, one recognizes the dishonesty of this Government, I am being disturbed all the time by the Member for Diego Martin West; I do not know why he does not want the country to hear the truth. *[Interruption]* He cannot win any seat in Tobago, he had to go to Diego Martin to beg for a seat and he is here boasting about Diego Martin. You are from Tobago, hush your mouth and let me speak.

Madam Speaker, the Minister and the Government are less than honest with us.

**Mr. Valley:** Madam Speaker, on a point of order. Unless the Member can prove that, I would like her to withdraw, immediately.

**Miss. P. Nicholson:** I am not withdrawing that.

**Madam Speaker:** The Member has made a statement, and I think she is about to amplify to prove how the Government is less than honest. I do not know what she is going to say.

**Mr. Valley:** She also said the Minister.

**Madam Speaker:** Will the Member please take note.

**Miss P. Nicholson:** When they associate this transaction with market values what in fact the Government is doing is exchanging—and I am one who believes—(1) 100 per cent ownership in all BWIA for Class B shares representing 49 per cent of the common stock in the New BWIA; and (2) preference shares with a 15-year mandatory redemption date, bearing no dividends for the first three years and thereafter, at the rate of 6 per cent per annum cumulated, but only to the extent that the new BWIA is able to generate the necessary profits. They have to make the profits to get that. If Acker/BWIA make no profits, the Government gets no interest on the preference shares. There is no guarantee of income. This is not a normal feature of preference shares.

In addition, Acker can redeem these shares at any time at his option, but the Government must do so in the fifteenth year from the sale of BWIA. Unlike the other shares, these preference shares are being denominated in Trinidad and Tobago dollars. As a result of the nature of the preference shares Loeb Partners have been able to issue an *Information Memorandum* which describes the shares as follows:

“This, combined with its low dividend rate reduced their value substantially below par.”

To demonstrate the worthlessness of the preference shares, Loeb and Partners emphasized in the investment memorandum:

“15-year Government debt is currently trading at 14 per cent yield. The purchase of 25 per cent of Government debt with a 15-year maturity, will provide sufficient cash to fully pay all potential dividends, and the principal due on one dollar of preference shares.”

**5.55 p.m.**

Loeb and Acker are wearing two hats. Under one hat they advise the Government that it is getting a good deal, while under another hat they tell potential investors that the Government is being screwed. We are hearing a boast here this evening that nothing is wrong with giving the consultant this to do and then allowing the consultant to buy.

**Mr. Valley:** Madam Speaker, I am glad the Member gave way. She is going along a route that was a fact, perhaps, about mid-November. As I mentioned here this afternoon, first of all, there are additional preference shares based on a valuation of \$80 million, and that those shares can be converted into common equity. It merely demonstrates where she got that information.

**Miss P. Nicholson:** Madam Speaker, is the Member making a speech? Why do they not take the beating? I always sit down here quietly.

**Dr. Rowley:** The Member has no idea of what she is reading there.

**Miss P. Nicholson:** Keith is under duress. Take that!

These people are wearing two hats. They are telling the Government that the business is good and then they are telling the potential investors that they are screwing the Government.

**Dr. Rowley:** Madam Speaker, would the Member give way?

**Madam Speaker:** Is the Member giving way?

**Miss P. Nicholson:** No, I am not giving way to Dr. Rowley at all; he spoke already; let him sit down. I am not giving way!

**Dr. Rowley:** Madam Speaker, on a point of order.

**Madam Speaker:** What is the point of order?

**Dr. Rowley:** Can the Member identify the document from which she is quoting?

**Miss P. Nicholson:** Madam Speaker, I quoted that already. The irony of it all is that the Government is paying Acker and Loeb to screw it up.

**Madam Speaker:** I am sure the Member can—

**Dr. Rowley:** That is a good word. Madam Speaker, do you see why I want to know the author?

**Miss P. Nicholson:** To rip it off.

**Madam Speaker:** That language—

**Miss P. Nicholson:** Madam Speaker, I changed it; I said rip off. I do not find it a bad word but if it is bad for them, I would use different words—rip it off. *[Interruption]*.

**Madam Speaker:** The Member has changed the word and please let her continue.

**Dr. Rowley:** Rip off, first. She has it in the wrong order.

**Mr. Casimire:** The Member is putting the cart before the horse.

**Madam Speaker:** I advise the Member to ignore the Members and proceed with her contribution.

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Hon. Members, you all know it is against the Standing Orders to interrupt a Member while he or she is making his or her contribution. Please try to obey the Standing Orders.

**Miss P. Nicholson:** Thanks, Madam Speaker. I was waiting for that a long time. On the basis of these statements by Loeb, the advisers to our Government—you know, BWIA is ours; this Government represents all of us—the value of the preference shares on the date of issue would be worth only 38 cents which is 62 cents less than its par value.

We on this side, and all the people who are concerned about BWIA, recognize that it is a giveaway of the assets of the people of Trinidad and Tobago. A government that always boasted when it was in Opposition that the patrimony of Trinidad and Tobago was being given away—I am alarmed! When Telco was dealt with, it was said that the patrimony of the country was being given away. When the cement factory was dealt with, it was said that the factory was being given away. If one looks at some of the documents, when the Member for San Fernando East made his speeches at their conventions, one would see that in nearly every case, he said that the patrimony of the country was being given away. He said that the previous Government was pressuring an already pressured grouping, and then it was going to deal with T&TEC and WASA. I see PNM moving with great speed and not a drum is heard, not a funeral note. The drum and funeral note are coming from Tobago.

I am alarmed that the union is not being heard. I was a bit surprised this evening when I came here and saw a note from workers of WASA—NUGFW. They were saying the alarming rate at which the present Government is pursuing its divestment policy is horrendously frightening. At least, they recognize but they can only write. OWTU and T&TEC, can only write. Nobody is prancing, dancing, playing cards, convoys of vehicles. They are being sent home by the thousand, and not a drum is heard, not a funeral note.

As far as I am concerned, this is a giveaway of the people's assets. To whom? To foreigners who have been paid by the Government for advice while securing their own interest as investors in BWIA. Acker will be smiling all the way to the bank when they are finished with the Government. It is very sad what could happen here. Within that 15-year period, whenever Acker makes profits, they could take the profits away and walk out on the Government of Trinidad and Tobago.

The sad thing is that the unions' pension funds will be in that institution when the shells are left, and they would lose every penny which they have put into that

institution. The Government of Trinidad and Tobago is not in control of anything; it is Acker. That is the problem! The Government is not playing any central role in anything; it is Acker. That is the sadness! When the shells are left there would be weeping and mourning in this country because all their pennies would be lost.

The Member for Diego Martin West spoke about a world scenario in the airline industry. He spoke about the problems which very large airlines are having in their country; how many were closed down—Pan Am and the rest. Then he spoke about what is happening with United Airlines, American Airlines and Delta. His argument was contradictory, but he argued that had it not been for the Treasury of Trinidad and Tobago BWIA would have collapsed.

Also, that the French Government saved their airline because of their treasury. I want to know when Acker goes who would save BWIA and the workers who belong to those unions. His argument showed the difficulty to run those institutions without support.

**Dr. Rowley:** The road to success is in restructuring. That is the point I was making.

**Miss P. Nicholson:** The Government will not be giving any support to BWIA. That is what it said! But the people of Trinidad and Tobago will act.

**Dr. Rowley:** We own it.

**Miss P. Nicholson:** Madam Speaker, even though I am a supporter of privatization and divestment—

**Hon. Member:** And the PNM.

**Miss P. Nicholson:** —when I look at BWIA against the background of tourism, when I look at it with the role that I feel tourism should be playing in Trinidad and Tobago, I am not giving any support to this Bill this evening.

**The Minister of Works and Transport and Minister of Local Government (Hon. Colm Imbert):** Madam Speaker, let me deal with some of the—do not run away Member for Tobago West—misinformation that the Member for Tobago West perpetuated in this House here today. I have at hand the Cabinet Minutes of April, 1991 and May, 1991 of the former administration. *[Interruption]*.

**Hon. Members:** Do not go, Pam. Do not go! You cannot go now. Take your licks! Where are you going?

**6.05 p.m.**

*[Miss Nicholson leaves the Chamber]*

**Hon. C. Imbert:** Madam Speaker, it is a real pity when one's reputation precedes one. I can see the Member has decided to hit and run. Let me read directly from the note from the Government of which the Member for Tobago West formed a part. This is *The Restructuring of BWIA*, dated April 25, 1991. I shall read a specific paragraph:

“In response to the above-mentioned decision of Cabinet, BWIA has submitted a detailed report of its operations requested by Cabinet. In submitting the report, BWIA has stressed the importance of a foreign airline strategic partner.”

And here we have, Madam Speaker, May 8, 1991:

“Pursuant to the consultations, it is now proposed that in order to achieve the stated policy objectives, the Board of BWIA should be given a mandate to affect the restructuring of the Company and secure a joint venture partner which will ensure the long-term viability of BWIA as a global airline.”

This is following on the Cabinet decision of April. So in April, 1991, BWIA was mandated to seek out a foreign partner and was given six months. Let me read the relevant sentence:

“The reconstituted Board will be expected to complete its mandate within six months.”

So in 1991, the former administration of which the Member for Tobago West was an integral part, took two decisions: (1), that BWIA be divested to foreign ownership; and (2), that it be done in six months.

I cannot square any of that with the statements made by the Member for Tobago West that they were going to divest on the local market, so why the haste on the part of this Government?

This Government has taken three years. They gave the Board of BWIA six months to find a foreign partner and my information is that there was no minority caveat whatsoever in the 1990 mandate with regard to divestment and securing of a foreign partner. Therefore, the former administration was actively involved in seeking to divest BWIA to a foreign entity within a period of six months. The Member will come here and say all kinds of things. She knew I was going to read these Cabinet Notes, that is why she left—what I call the exposed hypocrisy.

Let me look at what else the Member said. The Member alleged that there is no protection within the agreement; that the operational base of BWIA will move to Barbados, and so forth. The Member for Tobago West read from a statement made by the Member for Diego Martin Central, but the Member conveniently did not read from the investment agreement—this document—*Investment Agreement among the Government of the Republic of Trinidad and Tobago, BWIA International Airways Limited, the Acker Group, Loeb Investors Company and Loeb Partners Corporation*” which was lodged in the Parliamentary Library over one week ago. This document was available to the Member, and I shall now read clause 9.1(d)—

“The following matters shall attach to the Golden Share and shall have all of the rights and privileges associated with the Golden Share set forth in the Amended New BWIA Memorandum and Articles.”

Let us go to (v), on page 26:

“any change in the jurisdiction of incorporation, location of the principal executive offices or any of the headquarter operations, including without limitation, a change involving substantially all accounting...marketing, maintenance, purchasing...”

Madam Speaker, what else is involved in an airline? I am not sure there is anything else involved in the operation of an airline.

So it is clear, that the Member for Tobago West, whether intentionally or unintentionally, misled this House this evening. The golden share—giving the Government veto rights over any movement of the operational activities of BWIA. That is another piece of misinformation I should just like to debunk.

I really cannot say much more about the Member for Tobago West's contribution. I shall go on to the speech written by somebody else that she read about Preference Shares. As a matter of fact, let me deal with that immediately. If one looks again at the Investment Agreement, and I am reading now a summary of it:

“Description of Rights, Privileges and Preferences of Preference Shares”.

I think I should read the entire document—Exhibit C, which is in the “Summary of Salient Points.”

“Class A Preference Share:

1. Liquidation Value: This shall be in TT\$ and shall be the liquidation in US\$ multiplied by TT\$5.95 to US\$1 for Class A Preference Shares issued prior to January 31, 1996.

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2. Dividends:

From and after January 1, 1998, Class A Preference Shareholders...will receive six per cent times the aggregate TT\$ liquidation value of the Class A Preference Shares outstanding. Dividends are payable in TT\$.”

If we skip and go to the Class B Preference Shares:

“Upon each exercise of the Preference Share Option, 40 per cent of the Preference Shares that are issued will be Class A Preference Shares and 60 per cent of the Preference Shares that are issued will be Class B Preference Shares.”

Now, it is very important to understand what this means, because in placing a value on BWIA the international investors put a value of US \$80 million on BWIA, prior to investment—this is prior to equity injection. The book value, however, was approximately \$30 million. So the difference between the value prior to investment and the book value was approximately \$50 million.

According to the agreement, preference share warrants will be issued for the difference between the closing book value and the new pre-investment value of \$80 million. These preference share warrants will be converted to preference stock in the books of BWIA on the sale of the three L1011s and one MD-83 aircraft.

Now the fact of the matter is, what this is saying is that the Government is going to receive approximately \$50 million in preference share warrants which can be converted to common stock. This is the point I am making. Therefore the Preference Share Warrants have significant value. The Member read out all sorts of information that is not relevant; and the Member for Diego Martin Central made the point that it is old news.

**6.15 p.m.**

As the negotiating team concluded its negotiations, it managed to extract more and more benefits for Trinidad and Tobago. It managed to get more and more value for Trinidad and Tobago out of the divestment. It managed to get all sorts of concessions in terms of veto powers and the golden chair rights and privileges. I shall leave it to the Member for Diego Martin Central to give a more detailed explanation of the difference between preference shares, preference share warrants, common stock, class A, class B and so forth.

I hope I have been able to debunk the myth that the Member for Tobago West brought to this House in terms of the value of preference stock. What the Member



was seeking to say was that if BWIA makes no profit, the preference shares are worthless and we would be getting no interest and no accruals on the value of these preference shares. What I have said here this evening is that we are getting preference share warrants which are converted to common stock. It is a significant difference.

Let me go on. The Member for Tobago West always boasts about Telco, and I cannot understand it. The Telco deal was one of the biggest giveaways in this country. There is no doubt about it. Cable and Wireless was given a tax shield. How much was it?

**Mr. Valley:** One billion dollars.

**Hon. C. Imbert:** A tax shield of \$1 billion, so they could accumulate profits to a total of \$1 billion before they started to pay tax to the Government. In addition, Cable and Wireless was given a monopoly on telecommunications in this country, and we are now experiencing difficulty as we seek to bring in another telecommunications company to deal with some other aspect of telecommunications. We cannot do it. That is that "famous" Telco deal, one of the biggest giveaways in the history of the country.

Let me deal with some other issues that have been raised by the Member for Couva North. I have some documentation here which goes back to 1993 when we started to make some progress with the divestment of BWIA. The documentation I have available to me, shows a memorandum of understanding between the Government, BWIA and the Acker Group. This is long before the Acker Group came in and got any \$150,000 management fee; long before that it was agreed that the Acker Group would invest US \$10 million based on a valuation of BWIA. There is absolutely no question of the Acker Group, having been given US \$150,000 by the Government, going into the company, valuing the company at any price they wanted and then ripping off this country.

The point I am making, is that before they went in with the development of their business plan, they had agreed to a value on BWIA and a price for the shares they were going to purchase. That is the point I am making. There is no question of their going in as insider traders with all sorts of confidential information and working up some sort of fictitious business plan, undervaluing the company. The value was agreed beforehand. The only purpose of the management fee was to develop a business plan for the turnaround of BWIA.

Let me say that as far as I am informed the business plan will result in significant increase in airline traffic to and from Piarco. My information is that the

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Acker business plan seeks to increase Piarco departures by over 15 per cent. Is this the type of investor that Members on the other side have painted?

Why would an investor, who it is alleged is coming here to strip a company of all its goodies, to pay itself high salaries, to move the base to Barbados, to sell all the planes and so forth, produce a business plan which seeks to increase traffic through Piarco by some 15 per cent? Why would they develop a business plan which seeks to improve flights to Miami allowing both morning and afternoon departures?

Why would they introduce a business plan that improves travel to New York, allowing both morning and afternoon departures to New York, daily direct services to Toronto as opposed to three times a week at present, daily services to London, and morning services to Barbados? This is all in the Acker business plan. All of this.

Changing the fleet, bringing in more appropriate and modern equipment, bringing in aircraft more suited to the routes that BWIA flies. This is what is in the business plan. Why would a company develop a business plan of this type that seeks to improve the profitability of BWIA, that seeks to enhance Trinidad and Tobago's position as a major centre for air transportation? That is what a businessman seeks to do. Why would they develop such a plan and then go and raid the company, sell all the planes, shift the base to Barbados and so forth? It makes absolutely no sense.

But the Members on the other side are accustomed to this kind of behaviour. They come into this House and make all sorts of wild allegations. I heard the Member for Couva North say that local investors were not offered shares in BWIA, or investment in BWIA. The information I have is that all local stockbrokers were provided with investment information without any condition whatsoever as to whether it be local or foreign investors.

BWIA has been outside there for years. Local investors could have taken up a shareholding in BWIA at any time, so I refute the allegations of the Members for Couva North and Couva South, that local investors were not given the opportunity to invest in BWIA. It is simply not true. The fact of the matter is that local investors were unwilling to take the risk to get involved in a business of this nature which, as the Members for Diego Martin West and Tobago West have pointed out, has lost money in every single year of the 14 or 15 years of its operation. In view of that fact and no other fact, local investors were reluctant to invest in BWIA.

The other point that the Member for Couva North made is that local investors, Caribbean governments and so on, were going to be asked to buy a debt-ridden airline. Nothing could be further from the truth. How could one sell debt? That is a banking transaction. People buy debt as a discount and swap it, but if one is divesting a company, the first thing one must do is to clean the books. The company has to be relieved of its debt. It has to be put into a net position in terms of assets and liabilities, otherwise it has no value.

Why would someone buy a company whose liabilities exceed its assets? Why? It would have a negative net worth. What would one pay for such a company? As a matter of fact, the owner would have to pay someone to take the company, so I am always very surprised when I come to this House and hear the Member for Couva North making these wild allegations that we were not going to write off BWIA's debts if we got local investors or Caribbean governments interested. Nothing could be further from the truth.

The fact of the matter is the Caribbean governments were also unwilling to take the risk to get involved. Advantages of the Acker group include its expertise, its knowledge, its contacts, and its strategic alliances with major North American airlines. BWIA is no plum. The Members on the other side would have us believe that this is the golden calf or the goose with the golden egg that we are selling off for a pittance. Nothing could be further from the truth.

### **6.25 p.m.**

The Acker Group is the only group that has come along in the last six years—since 1989—and has indicated a willingness to take the risk to get involved in the restructuring and divestment of BWIA. The Member for Diego Martin West read out all the airlines that came, looked and said, “No, thank you.” Delta, British Airways, all came, looked at it and said they were not interested. All of the local investors took a look at it and said they were not interested. This Acker group is the only group that has come along and said, “Yes, we are willing to take the risk.”

There is another point I wish to make. The Member for Couva North said, all you have to do is deal with the corruption, mismanagement and waste in BWIA and you will solve all of BWIA's problems. But I have looked at the audited accounts of BWIA over the period 1987 to 1991 when another administration was involved in running BWIA—not the PNM administration—and the total accumulated losses over the period 1987 to 1991 was \$690 million; of that administration, not of the PNM, the Member for Couva North was a substantial

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part, a deputy political leader; as a matter of fact, deputy Prime Minister at one time. As I said, under the former government BWIA's losses totalled \$690 million. I should like the Member for Couva North to tell this House the year that he was in government when BWIA lost \$120 million, whether that was because of PNM corruption, waste and mismanagement?

What happened in that five-year period when the PNM was not in office? The airline lost nearly \$700 million. Was that PNM waste, mismanagement and corruption? Absolute nonsense! The fact of the matter is that this is a loss-making enterprise. The airline has lost money from day one. While any organization can be improved in terms of management and waste, I venture to say that the losses that BWIA suffered had very little to do with that. It had to do with the airline environment in which BWIA was operating, the fact that BWIA was a small carrier and did not have any strategic alliances with any major air carrier in the world. In any event, the airline industry over the period 1990 to 1994, as the Member for Diego Martin West pointed out, lost \$10 billion in the entire world. How could little BWIA make money when the whole airline industry in the entire world loses \$10 billion? There is no rationale whatsoever.

Those are the only issues in the contribution of the Member for Tobago West and the contribution of the Member for Couva North that I felt had any significance at all. He spoke about a funeral; the parasitic oligarchy; O'Halloran; DC9; wickedness of the PNM; spares racket; called Acker a crook. Every time the Member for Couva North comes into this House this is what I have to listen to—wickedness; this one is a crook; that one is a thief, and so on. It is unfortunate that the Member for Couva North does not make more worthwhile contributions in this Parliament.

Let me deal now with the substantive issues. Let me deal with what this Government has been able to achieve for BWIA. Let me deal with the rights attached to the golden share.

“A golden share is to be held by the Government in perpetuity. The rights to be attached to this are intended to protect the strategic interest of the Government and are defined in the Memorandum and Articles of Association of “New” BWIA and include veto power in respect of the following:

Any proposed changes to the flight schedule in a manner which may have an adverse effect on air transportation to and from Trinidad and Tobago.”

This is the original document I am reading from. This was subsequently amended to the matter that the Member for Couva North sought to make such heavy

weather of, where the Government will have 30 days to come up with a business plan if any change in the flight arrangements of BWIA is likely to have an adverse effect on Trinidad and Tobago.

I am going to try to develop the point here so that Members on the other side will understand. The Member for Tobago West made the point that in order to develop tourism in Trinidad and Tobago we should subsidize BWIA; that it was more important to allow BWIA to lose money and to give them handouts from the Treasury than to allow this alleged destruction of tourism, and so on.

But the fact of the matter is, the whole intent of this clause that I have read out is that the Government will decide what is the economic benefit of retaining a route arrangement or a flight structure that is going to run at a loss. The Member for Tobago West was saying essentially the same thing. Let BWIA run; it is so important to tourism; it will lose money; we will pay the difference.

What this Government has decided to do is examine closely any changes in flight arrangements that the new BWIA may wish to make, look at the cost implications of that, and if we believe that certain flight arrangements should be retained or maintained, such as the Germany to Tobago route, the North America/Trinidad route, we would pay for it. That is the significant difference between us and them. We are taking a clinical approach to the problem. We shall not just give an open cheque to BWIA. We shall look at what is happening. The new BWIA would say, "If we operate these flights for you they are going to lose money; we are not going to get the passenger loads; it is not going to be profitable, and if you wish these flights to be maintained, you pay for them." The Government will look at that and determine whether it is economical to pay for these flights or not.

I see nothing wrong with that. We could make a policy decision, as a Government, that we wish to continue flights to Frankfurt and to other parts of Germany because we want to push our tourism effort and we pay BWIA for running the operation on that route at a loss.

Let me go on. The golden share also allows veto power with regard to:

- “(i) any merger or consolidation with or sale of all or substantially all of 'New' BWIA's assets to any person, including, without limitation, any Caribbean air carrier.”

So we have veto powers over whether the new BWIA wishes to sell its assets to any person. It goes on:

- “(ii) any voluntary liquidation or dissolution.”

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If they want to wind up the company, we have veto powers over that:

“(iii) any strategic alliance or joint venture with any Caribbean air carrier headquartered in any Caricom member country.”

If we believe it is not in Trinidad and Tobago's interest to go into a joint venture with any Caribbean air carrier, such as the newly formed Carib Express, which is a new airline which has been formed ostensibly by British Airways to compete directly with BWIA—if we feel that the new BWIA should not get involved in an airline like that—then we have veto powers. We have veto powers also if there is—

“(iv) acquisition, sale, transfer or permanent relinquishment of any route authority or operating rights involving Trinidad and Tobago.

In other words, they cannot sell the route rights unless we say so. It goes on:

“(v) any change in jurisdiction of incorporation, location...”

We went over that already. They cannot move their headquarters' operations or their operations base because we have veto powers over that:

“(vi) The appointment, compensation and dismissal of each of the Chairman of the Board, Deputy Chairman, CEO and Chief Financial Officer;

(vii) any transaction between 'New' BWIA and any 'affiliate';

(viii) any proposed amendment to the Articles of Association.”

I really cannot see what other veto powers the Government should have over the new BWIA.

### **6.35 p.m.**

They cannot change the flight schedule. If they decide to do so, we have 30 days within which to decide whether we wish to pay for it or not. They cannot merge or consolidate any of BWIA's assets. They cannot liquidate the company. They cannot join with any other Caribbean air carrier in competition with BWIA. They cannot change their headquarters. They cannot appoint chief executive officers. They cannot amend the articles of association. I should really like to know what the Opposition wants? If the Government has veto powers over all these things, what more does it want?

Let me come back to this whole question of paying for unprofitable routes. Whether we subsidize BWIA directly, or we pay for specific unprofitable routes which are critical to our strategic tourism effort, what difference does it make?

**Mr. Sudama:** Would the Member give way?

**Hon. C. Imbert:** Sure.

**Mr. Sudama:** Is the Member for Diego Martin East disagreeing with the Member for Diego Martin West who stated categorically that no longer can the Treasury of Trinidad and Tobago support the operations of BWIA? Therefore, there are alternative uses for those funds?

**Hon. C. Imbert:** Madam Speaker, it is clear to me that the Member for Oropouche completely missed the point. If the Government of Trinidad and Tobago makes a policy decision to support specific tourism activities in terms of specific flights to and from Trinidad and Tobago, that is subsidizing tourism. That is not subsidizing BWIA. We are paying for a service. That is the beauty of this whole thing, and I hope the Members on the other side would understand the point I am about to make. What we will not be doing is subsidizing flights to Antigua, Jamaica, Dominica, St. Kitts and St. Vincent where one person steps off the plane; where it is not profitable to land in those islands. We were subsidizing the tourism efforts of those islands and that is what we would not be doing now.

In the past, BWIA has been subsidizing tourism in the entire Caribbean—subsidizing it in Trinidad and Tobago and in Barbados, Jamaica, St. Kitts and St. Vincent. What we would be doing is saying, “We no longer wish to subsidize unprofitable”.

**Mr. Maharaj:** Would the hon. Member give way?

**Hon. C. Imbert:** Yes.

**Mr. Maharaj:** Madam Speaker, since the Government would have some right of veto, according to the hon. Minister, would it allow the new BWIA to do away with those routes?

**Hon. C. Imbert:** Madam Speaker, I do not think the Member understands what I am saying. I am grateful for the intervention, because it allows me to clarify that.

No one is saying that we are not going to continue to fly to Barbados, Dominica, St. Kitts, Antigua and so forth. Nobody is saying that but we would look at each flight schedule on a case by case basis and determine the amount of loss involved in flying to these particular destinations; whether it is strategic, whether it is in Trinidad and Tobago's interest to support and subsidize unprofitable flights to these various islands. That is what we will do. So we have complete flexibility.

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No longer will there be a blank cheque available to BWIA; to fly wherever they want, whenever they want, however they want. BWIA will now operate on strictly commercial lines where the board of the company will make commercial decisions and the Government of Trinidad and Tobago will determine whether it wishes BWIA to continue to fly certain routes based on our tourism requirements. I hope that has cleared up the whole issue of changes in flight schedule and so forth.

As a Member of the Cabinet, for the last three years, I too, have had the unfortunate experience of witnessing requests coming in from BWIA in the sum of US \$10 and \$20 million or \$50 million and as the Member for Diego Martin West put it, “and they want it now,” and one hears that they owe \$15 million to NP because they are not paying their gasoline bills; and they owe \$27 millions to the Airports Authority because they are not paying their landing fees; and they have not paid the rent for the duty-free in-bond shops at the airport because they cannot afford it.

The fact of the matter is that as a Government, over the last three years, we have come very close on many occasions to saying that this is no longer worth it. But whenever we had to take that decision we looked at the social consequences, because this is a caring Government. We looked at the social consequences of laying off thousands of people and the effect that would have on the country, economy and psyche of this population.

Therefore, we rallied with BWIA. When BWIA lost \$100 million every year, we rallied, because we felt we were not ready to take that decision to close down the airline and send 2,500 people on the breadline. As the years went by, and with monotonous regularity, a request would come for US \$8 or \$10, million, and the alternative would be that if you do not come up with this money which is TT \$50 and \$60 million in one shot, the airline would close down. That was the reality we faced.

So, very reluctantly—as the Member for Diego Martin West said—we decided to give them the \$50, \$60 and \$100 million. That meant that there was less money available for other areas of the country. There was less money available for schools; less money available for hospitals; less money available for WASA—there was a demonstration here today. We have had to divert money that we could have made available for other areas of the country, like water supply, to BWIA. That is a fact! Over the last three years, hundreds of millions of dollars have been diverted—I would say at least over \$100 million—to BWIA because the



PNM Government could not take the decision to send 2,500 people on the breadline.

We must remember this was there for six years, from 1989, with nobody touching it; nobody was interested; taking you to the water but not drinking; as soon as they looked at BWIA they said, "Sorry, not me", and they ran far away in the direction from which they came. Along comes an investor, which, as far as I am concerned, is short of a miracle. I am serious. I consider that short of a miracle, that an investor has actually decided to put money into BWIA, because over the three-year period I felt on several occasions that we would never find a strategic partner or an investor in BWIA. I genuinely believed that.

**6.45 p.m.**

In view of all that, I consider it quite an accomplishment on the part of the Member for Diego Martin Central. Of course, in any commercial transaction there is going to be give and take. As far as I am aware, the negotiations have been going on for months. Acker has made certain concessions to the Government of Trinidad and Tobago, and the Government has made certain concessions to the Acker Group. As in any commercial transaction, what we may get of out it may not be perfect.

One expects that the new BWIA will run along strictly commercial lines. There would be a different outlook from the old BWIA. There may be consequences. It may have to get involved in some cost reductions. One of the factors that made BWIA very unprofitable was the cost of operations, in terms of the cost of operating and maintaining its aircraft, the cost of fuel and all its physical operations. I was reading this in an article in the *Economist* magazine just a short while ago—BWIA's cost of operations when staff and related costs are included is way above the international norm. On the other side of the coin, BWIA's cost in terms of staff is below the international norm.

Therefore, in order to put BWIA on a strong footing for sustainable growth in the future, adjustments would have to be made to the operational side of BWIA. There is no doubt about that. The Acker group has already indicated that it wishes to change its fleet and that may result in significant savings. That one decision may result in savings to the extent that it may be able to deal with problems in the airline. Then again, it may not. It may have to look at its personnel costs and overheads and they may have to trim the organization to the point where it would become profitable.

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There will be some pain, but from where I stand the fact of the matter is that the pain of closing down BWIA for good, would have been far worse. I am very pleased that the Government has been able to structure an arrangement with this group of international investors that would allow BWIA to live, rather than die. I am very pleased that BWIA would now continue—if all goes well and according to plan—to grow into the future and expand its horizons, routes and flights.

One of the objectives of the Acker group is to develop a lot of South American traffic. There is much difficulty in travelling throughout South America at this time. People in Brazil who wish to go to North America have to travel up and down the various parts of Brazil. If one is in Northern Brazil, one has to go to South Brazil then take a flight to Miami. It involves considerable journey time and costs involving planes. If the Acker group can achieve its objectives of creating a hub in Trinidad and Tobago, particularly for South American traffic coming out of Northern Brazil, then our entire air transportation system would be opened up to new horizons and new tourism opportunities from South America.

When I weigh all the positives that may come from a profitable airline with the negatives that may come with the pain from reducing overheads and operating costs, I am of the view that the country will achieve a net benefit.

Let me just say something else.

**Madam Speaker:** The speaking time of the hon. Member has expired.

*Motion made,* That the hon. Member's speaking time be extended by 30 minutes. [*Hon. K. Valley*]

*Question put and agreed to.*

**Hon. C. Imbert:** I thank you, Madam Speaker and hon. Members.

I have the final expected shareholding of BWIA. The Government is expected to have 28 per cent; the private sector investors would have 46.5 per cent and the employees would have 25.5 per cent. It is my understanding, contrary to rumour propagated by the other side, that the Merchant Bank, a subsidiary of the Royal Bank of Trinidad and Tobago, has already underwritten the divestment of some of the shares of BWIA to the private sector to the tune of US \$6 million. If one looks at the value of what \$6 million dollars would be, one would see if \$10 million is worth 25.5 per cent, then \$6 million would be worth about 15 per cent. The Royal Bank, a local bank of Trinidad and Tobago has underwritten the divestment of 15 per cent of the shares of the new BWIA.

I hope that puts paid to the myth being propagated by the Member for Couva North that local investors are not going to be involved, that this company will be sold to foreigners and that they would control it. The Government will have 28 per cent and the employees will have 25.5 per cent. Let me do some mathematics for the other side; 28 per cent plus 25.5 per cent is 53.5 per cent. If not one single local private sector gets involved, there will still be local ownership to the tune of 53.5 per cent.

When I was at school 53.5 per cent was always more than half. As far as I am aware, 53.5 per cent would always be more than half.

**Mr. Sudama:** Would the Member give way to a question?

I just want to ask this. Does he remember Trinidad Tesoro? That company had 49 per cent minority shareholding and the Government had the majority shareholding and Tesoro Company ended up getting the lion's share of all the profits of Trinidad Tesoro. His argument that a simple majority shareholding will, in fact, enable effective control does not hold in terms of the Tesoro experience.

**Hon. C. Imbert:** The Member for Oropouche has some training in finance. It baffles my mind. I have just read out that the common stock—I am not talking about preference shares—which have voting rights and would get dividends in proportion to the share ownership of the common stock, a minimum of 53.5 per cent will be owned by local individuals.

In addition, if the Royal Bank is involved in underwriting 15 per cent of the 46.4 remaining, it is reasonable to conclude that a minimum of 60 per cent of the common stock, the voting shares of BWIA, will fall into local hands.

**6.55 p.m.**

Let me go now to a salient point. The Member for Oropouche is always saying all sorts of things. Let me deal with the powers of new BWIA. The Member for Diego Martin Central came to this Parliament and outlined an official statement, which decisions had to be taken by a simple 51 per cent majority. Let me read it into the records again. I have just proved beyond reasonable doubt, to use the language of the Member for Couva South, that over 51 per cent—I am being very careful—of new BWIA will be owned by Trinidadians and Tobagonians.

Let me say what the board of directors can do by way of a simple 51 per cent majority.

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- Declaration of payment of any dividend;
- Investments not provided for in annual budget, in excess of \$250,000;
- The creation or assumption of any indebtedness;
- Any material contract to be defined;
- Annual budget and business plan;
- Capital expenditure;
- Any proposals for new BWIA to become a public company;
- The issuance of capital stock;
- Direct or indirect redemption, purchase or other acquisition by new BWIA or any of its subsidiaries of any of new BWIA's equity securities;
- Establishment of any committee of the board with the power to approve any of the above.

The point I am making is that unless there is a 51 per cent majority decision of the board of new BWIA, none of these things can happen. One of them is declaration of payment of any dividend.

I notice that the Member for Oropouche is no longer listening. I have now proved to him that a 51 per cent majority decision of the board of new BWIA is required before declaration of payment of any dividend, and I have proved to him also that over 51 per cent of the shares of new BWIA will be in the control of locals.

I should like the Member for Oropouche to explain to me if more than 51 per cent is held by locals and it requires 51 per cent to make any of these decisions, how can the foreigners, "these wicked foreigners," do any of these things? They would be unable to do so. *[Interruption]*

The chairman of new BWIA will be answerable to the board. He has no power to declare dividends, to get involved in the creation of debt, to get involved in a contract, or to get involved in the issuance of capital stock. The chairman of the new BWIA will have no power to do that. He will be answerable to the board and, in addition to all these safeguards, in terms of the golden share, the Government has veto powers on the appointment of the chairman, the deputy chairman, the chief executive officer, the chief financial officers and the chief operating officer.

What more do they want? We can decide on the chairman. We can decide on the chief executive officer. We can decide on the declaration of any dividend to anybody. The chairman of the company cannot do that.

Let me move on. Let me go back to the Member for Tobago West: "The unions had to fight the PNM Government tooth and nail to get involved in divestment." Madam Speaker, if you read the newspapers, and I know that you do, you will see the unions at BWIA praising the Member for Diego Martin Central. I even saw the Member for Diego Martin Central being praised in a weekly newspaper. Apparently the only newspaper in Trinidad and Tobago which has any credibility for the other side, that weekly newspaper, praised the Member for Diego Martin Central for being worker-oriented; for being a person who cares about workers and striking a deal for the workers.

I remember opening a daily newspaper and reading a direct quote from the leader of the majority union at BWIA, telling another union leader to hush and stay out of his business because that pension deal was the best in the entire country. I read that in a daily newspaper.

**Mr. Humphrey:** Tell us what the deal was.

**Hon. C. Imbert:** I will.

I myself have taken a look at the arrangements for the enhancement of the pension benefits for the workers of BWIA. The Government had examined the proposals of the union and had considered them reasonable and had decided to enhance the pension benefits to the members of the pension plan as follows:

Benefits to be determined at an accrual rate of 2 per cent.

If the Member for Oropouche has any awareness of what an accrual rate is, he will agree that an accrual rate of 2 per cent is quite generous.

Pensionable salary to be defined as the best calendar year of the last five years.

That means the maximum salary that a worker has ever earned in his employment in the company. I hope that the Member for St. Augustine is listening because he asked for this information.

Employees who will have attained the age of 50 years at December 31, or who will have completed 33 1/3 years service, will qualify for early retirement with no loss of pension benefits.

Not even the Government has that kind of benefit.

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The lump sum earned as a result of surrendering a portion of the pension plan shall be calculated at a minimum of \$12.50 for each dollar of the annual pension surrendered, as determined by the actuary.

All pensions to be increased by the indexation rate of 2 per cent per annum with effect from January 1.

Up to a maximum of \$45 million to be used for the purchase of 15.5 per cent of the common stock of New BWIA.

Not only have we enhanced the pension, but workers were given up to a maximum of \$45 million to purchase 15.5 per cent of the common stock. My understanding is that the net benefit of all of that is close to \$100 million. The net benefit of all of these enhancements of the pension actually exceeds \$100 million.

I hear some noises coming from the Member on the other side, and he would be aware that this is a matter which has gone before the courts, therefore, I am circumscribed in the manner in which I comment on it. All I would say is that the rules of the registered pension plan provide that on wind-up of the company, the surplus in the pension plan belongs to the corporation. The union challenged that, and that matter went before the courts.

**7.05 p.m.**

What we are seeing here is an amicable settlement of the dispute. There was a situation where the company was claiming the entire surplus, the workers were claiming the entire surplus. What we have here, is a very amicable settlement of the dispute of two extremes, the workers want the whole thing, the company wants the whole thing, and we have resolved at a point—not in the middle—but a point which is in favour of the workers. The information I have is that the surplus was estimated at \$150 million on a going concern basis.

Let us look at this logically. The workers were challenging the company for the surplus for the pension plan. Yet, when the final negotiations were concluded, the workers said what they have received in terms of pension is the best pension deal in the entire country. The pension is for the workers. If the workers are happy with it, then I am happy with it, and I am not going to accept any interpretation from someone who is neither a worker of the company, nor involved in a trade union related to the company, nor a member of the management of the company.

Everybody is happy, Madam Speaker! The workers are happy, the trade unions are happy and the management is happy. All the interested parties are happy with the way the surplus was divided among the parties.

The Member for Tobago West kept going on and on about, BWIA having built tourism in Jamaica, Antigua, Barbados, and the Government is engaging in crazy actions by giving away BWIA. I want to deal with this whole question of giving away BWIA once and for all. Giving away what? What are we giving away? The Member for Diego Martin Central said, BWIA has accumulated debt of nearly \$900 million over the last six years. Why not give the investors that? Let us give them \$900 million in accumulated debt. There is nothing in BWIA to give away.

The Government has restructured the balance sheet of the company. It has given the company a positive net worth. It has put a value on that. It has decided that value is \$80 million and the Acker group is being sold shares; a proportion of the value of the company, for which they will give a consideration. In other words, the Acker group will be paying money for the net worth of BWIA.

**Mr. Humphrey:** Was that valuation before, or did it include the value of the aircraft that revert to BWIA at the end of the lease period? Would the Minister also give me today's market value of one L1011-500 in the condition of BWIA's L1011-500s?

**Hon. C. Imbert:** Madam Speaker, international valuers have valued BWIA at \$80 million.

**Mr. Humphrey:** At what stage, before you got the planes or after you got them?

**Hon. C. Imbert:** International valuers have valued BWIA, as is, where is. They have valued all the assets of BWIA. *[Interruption]*

Madam Speaker, what is the value of BWIA? The head office buildings. Whatever other buildings they may have in other countries? Whatever aircraft spares they may have? Any residual value remaining in any lease of any aircraft. The value of any aircraft that they own? That is the value of BWIA. The question of the value of the airplane is irrelevant. When they arrived at the figure of \$80 million, they took account of everything. The value of the aircraft, the value of the buildings, the value of the spares and so forth. *[Interruption]*

**Mr. Humphrey:** What is the value? How many US dollars—?

**Hon. C. Imbert:** I have said over and over again that the value of BWIA's assets is US \$80 million. *[Interruption]* The Member for Diego Martin Central will deal will that.

**Mr. Humphrey:** I do not want book value.

**Hon. C. Imbert:** I am having difficulty in understanding where the Member is coming from. *[Interruption]* If credible international valuers come in and say the value of that aircraft is  $x$ ,  $y$ , or  $z$  million dollars, when one adds  $x$ ,  $y$  and  $z$ , this equals the total value of a company. One cannot get better than that. *[Interruption]* I am not getting into any further discussion with the Member for St. Augustine on this issue. I am not aware that the Member for St. Augustine has any expertise in valuing aircraft. The Government has engaged international valuers and it respects their opinions. *[Interruption]*

I think I have managed to deal with all the salient points. This Bill before the House, simply seeks to vest certain assets and liabilities of BWIA in a new company to be called "new BWIA." If one goes through the Bill:

"The purpose of the Bill is to vest, or enable the vesting of the assets and liabilities of Trinidad and Tobago (BWIA International) Airways Corporation,..."

in a new company. The clauses are very straightforward. They describe assets and they determine which assets shall be vested in the new BWIA, those which shall not, and which liabilities should be vested in new BWIA and which shall not.

### 7.15 p.m.

If one looked at the assets to be vested in the First Schedule to this Bill, all those assets appearing on the balance sheet of the corporation, including three L1011s

I am advised that there have been some amendments. The amendment actually deletes L1011. So that the assets to be divested do not include the L1011 at this stage. The Bill simply vests certain assets and liabilities belonging to old BWIA, in new BWIA. If one reads the amended Schedule, one would get a better understanding of how one arrives at the market value, the book value and so forth which has been placed on new BWIA. I think if the Members read it carefully, many of the questions they may wish to ask may no longer be relevant.

I support this Bill in its entirety. I think this is the best thing that has happened to BWIA in a long time, and I believe that if everything goes well we would achieve our objective of keeping people employed, our airline in the air and maintaining air transportation arrangements in Trinidad and Tobago. I strongly support this Bill.

Thank you, Madam Speaker.



**Mr. Ramesh Lawrence Maharaj** (*Couva South*): Madam Speaker, I rise to make an intervention on this Bill but I have to attend a public meeting so I assure Members that I would not take 75 minutes.

Before I make my contribution, may I disclose that in my capacity as an attorney at law, there is a matter which I indicated to the Attorney General by letter that I have taken up as a public service to Trinidad and Tobago. The action which has been filed is not claiming any costs, for the interest which I have in the matter is a purely public duty interest in my capacity as an attorney at law.

**Mr. Valley:** We believe you.

**Mr. Sobion:** The Government asks for costs, though!

**Mr. R. Maharaj:** It is entitled to it if it wins. Just for the record, in the letter to the Attorney General, dated December 13, 1994 I mentioned that it was a public service to the people of Trinidad and Tobago, and the action on the release does not make any claim for costs. I disclosed that my interest in the matter is not a financial one.

I think it is important in dealing with this matter for me to respond to some of the inaccurate statements made by the hon. Member for Diego Martin East.

I have in my possession the memorandum of understanding which was signed between the Government of Trinidad and Tobago and the Acker group. Page 4 of that document states quite clearly what compensation for the services would have been for Mr. Acker and his group. There was criticism of the hon. Member for Couva North when he stated, according to the memorandum of understanding, that Acker would have got that consultancy fee—because it mentioned US \$150,000 and also US \$50,000. Page 6, clause (c) of the memorandum of understanding also states that the international and regional investors will get 51 per cent. I want to make it quite clear that the response made by the hon. Member for Diego Martin East as to whatever the Royal Bank underwrote for anyone does not necessarily mean that was underwritten for investors in Trinidad and Tobago.

Be that as it may, the fact of the matter is, according to the document which has been shown to us in this—

**Mr. Valley:** Madam Speaker, Class A shares: international investors—25.5 per cent; Class B shares: local and regional investors—25.5 per cent; that is what is being underwritten by Royal Bank. It must be local and regional.

**Mr. R. Maharaj:** It may be regional but not local. It could still be local and foreign. The point is that the management and control of BWIA is no longer in the hands of the people of Trinidad and Tobago. To give the impression that management, control and ownership of BWIA are retained by the people of Trinidad and Tobago cannot be accurate.

**Mr. Valley:** The point made was that the majority shareholding must be local and regional, otherwise the privilege of the route right insurance would be lost. It must be local and regional.

**Mr. R. Maharaj:** The point I am making is that Trinidad and Tobago has lost control of the management and administration of BWIA. Whatever the arrangements are, that cannot be disputed. The question which arises is: Was it a deliberate attempt by the Government of Trinidad and Tobago for the people of this country not to have control over the management of BWIA? I say this because after July, 1994 when this memorandum of understanding was signed—*[Interruption]*. I assure the hon. Member for Diego Martin Central that I did not get it from the Government. It is very significant that the Government did not disclose the content of this document to the people of Trinidad and Tobago.

Moreso, after the business management plan was devised, the Government entered into the plan arrangement with the Acker/Loeb Group. After they had been retained by the Government to come up with this plan, it is common sense that they would have had access to all the vital information about BWIA. That vital information was not available to investors in Trinidad and Tobago. It was not available to the people of Trinidad and Tobago. It was not published by the Government to the people of Trinidad and Tobago. If the Government wanted investors and they do not have the information, how could they have invested?

**Hon. Member:** The Member is arguing the case.

**Mr. R. Maharaj:** No, no. I am not arguing the merits or demerits of the case. I am stating facts here. The fact of the matter is that the Government has referred to the Acker Plan. The information in the Acker plan was confidential. Bearing in mind that Acker had the right to distribute this information—this was not distributed by the Government of Trinidad and Tobago. If the Government is saying that this is the only alternative, it is the duty of the Government to show that it made the information which the Acker group had—which was available to them—available to the investors and people of Trinidad and Tobago; that Neal & Massy, Angostura, the other top businessmen and the ordinary investors in Trinidad and Tobago had it. *[Interruption]*

If the case prevents discussion, then the Bill should not be introduced. Is the Government saying that I must not talk? I know it does not want me to talk. I have the Acker plan here—confidential information.

**Mr. Sobion:** Madam Speaker, would the Member for Couva South indicate whether the State has been served with these proceedings?

**Mr. R. Maharaj:** I am not dealing with the case at this stage. If that is the case, then we cannot discuss anything at all. I know the Government does not want to know this; but this is a debate in which we have to respond. Our contention is that the Government of Trinidad and Tobago deliberately kept out information from the people of Trinidad and Tobago to prevent them from investing in the airline.

**Dr. Rowley:** That is your and Clovis' story.

**Mr. R. Maharaj:** No, no. I have the Acker plan. Do the people have it? No. In September, who had it? Not the people of Trinidad and Tobago! The material in this package has been accumulated by Loeb Partners Corporation and the Acker group in connection with the partners' plan to sponsor the privatization of Trinidad and Tobago. This memorandum does not constitute an offer for sale. It says:

“This memorandum has been prepared to provide additional information to better familiarize the recipients with BWIA and with old BWIA as it exists.”

**Mr. Valley:** Madam Speaker, would the Member inform the House from what he is quoting, please? That is not the memorandum of understanding.

**Mr. R. L. Maharaj:** No, it is not.

**Mr. Valley:** It is a document which the Government does not have.

**Mr. R. L. Maharaj:** It is a document which the Government ought to have.

This is the summary of the Acker plan which was distributed to investors.

**7.25 p.m.**

**Mr. Valley:** Madam Speaker, let me inform the hon. Member and the House that the Government is not in possession of that document. That is an Acker document. I do not know from what the Member is quoting.

**Mr. R. Maharaj:** I am not on the memorandum of understanding. After the memorandum of understanding was signed, the Member should know Cabinet made an agreement on September 30, 1994!

**Mr. Valley:** But what is the Member talking about?

**Dr. Rowley:** Spreading rumour, as usual.

**Mr. R. Maharaj:** Madam Speaker, I am reading from a plan and they can respond. I am saying—

**Mr. Valley:** Look, if Government is a part of the plan, Government would have signed it. The Member will see my signature at the back of the MOU. If the Member can show me my signature, or any other Cabinet member's signature on that, well then—

**Mr. R. Maharaj:** Madam Speaker, the Government has said in their statement that on September 30, 1994 the Government accepted the Acker Plan.

**Mr. Valley:** Where did we say that?

**Mr. R. Maharaj:** Well, Madam Speaker, the Government must have accepted the plan because they have accepted the plan. [*Laughter*]

**Mr. Valley:** Oh dear me. Madam Speaker, let me just help the Member.

**Mr. Humphrey:** Just identify the document and continue your contribution.

**Mr. Valley:** The acceptance of the plan is a condition precedent to closing. We have to do it before January 30.

**Mr. R. Maharaj:** Yes, but whether it was partially or totally, you accepted the plan. [*Mr. Valley laughs*] Madam Speaker, the point I am making they would not try to divert.

**Madam Speaker:** What the Member is saying is that there is in existence a plan which has not yet been ratified by Government and this is the plan to which the Member for Couva South wishes to refer? This is what I do not know.

**Mr. R. Maharaj:** Madam Speaker, I am reading from the Acker plan.

**Mr. Valley:** What plan?

**Mr. R. Maharaj:** I have a copy of the Acker Plan and I am reading from it. They can dispute it. I am saying that the Government is aware of this; and I am saying that the Government in the Acker Plan states, for example:

“In general, governments must sell companies at discounting when privatizing. The total restructuring of BWIA is comparable to a bankruptcy reorganization...”

I want him to tell me if the Acker plan did not say that.

**Mr. Valley:** But I do not know what the Member is talking about. I am not a party to that document he is quoting. That is what I am trying to tell him.

**Mr. R. Maharaj:** Well, Madam Speaker, I am saying that I am reading from a summary of a plan prepared by the Acker group and Loeb Partners Corporation, which was distributed to investors; and that plan, on the face of it, shows that it was distributed. I am reading and it states what are the classes of stock; what is the investor voting, and the shareholder agreement.

**Madam Speaker:** That is a private document.

**Mr. R. Maharaj:** That may be, but Madam Speaker, how could it be a private document when the Government has given Acker the right to get investors? This is the document Acker used to get investors.

**Mr. Humphrey:** And they paid them for that!

**Madam Speaker:** The Government is not a party to that, so for the purposes of the debate, whether or not that is relevant at this stage, I do not know.

**Mr. R. Maharaj:** Madam Speaker, it is very relevant. They paid Acker for this and they do not want it. You should not shut this out.

**Madam Speaker:** No, no, no. I am trying to follow the argument. This is what I am trying to follow—that this is in existence.

**Mr. R. Maharaj:** I have no problem with that, I will give you a copy and give him a copy.

**Madam Speaker:** Proceed.

**Mr. Valley:** Madam Speaker, please let me just tell the hon. Member the closing conditions are on page 20 of the investment agreement which is with the Clerk—I think it is in the Library. It says that each party to the agreement—Government, Acker and Loeb Corporations—

“shall have approved in writing all material elements of the privatization plan including, without limitation, the AA Agreement...the Business Plan, dated September 30, 1994...”

The business plan is dated September 30, so it is not approved;

“as supplemented on November 30, 1994 a copy of which is attached hereto as Exhibit 1 and as will be supplemented in final form no later than January 18, 1995”.

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So that the business plan was not until January 18, which was just a few days ago. We have not clarified that business plan as yet.

**Mr. R. Maharaj:** Madam Speaker, that is his response. Madam Speaker, Acker was given a job to prepare a plan. Is the hon. Minister saying that Acker did not present a plan? They must have presented a plan.

**Mr. Humphrey:** For which they paid them.

**Mr. R. Maharaj:** The point I am making is that it was the Government's responsibility, if it wanted other people in Trinidad and Tobago to know of that plan and what were the terms and conditions of investment in BWIA, to share that information with the people of Trinidad and Tobago.

**Dr. Rowley:** When? Before it was done?

**Mr. R. Maharaj:** What I am saying is that that information about BWIA was shared with selected people and not the people of Trinidad and Tobago. It went through the Acker group who were given the job, as managers of this plan, to share that information and no amount of laughing will answer the problem. The Government knows that Acker was treating this matter as confidential.

**Dr. Rowley:** Why did you not file the suit in your name?

**Mr. R. Maharaj:** What happened is, Acker decided whom they were going to give this information to, so that Acker gave the information to whomever they wanted; and the Government did not take steps to ensure that information was shared with investors in Trinidad and Tobago. That is the point I am making, and I am saying that it is quite clear on the face of the document—from what I have read—Acker was saying this is a confidential document only to investors—only investors must have it.

I am asking, is it not correct that Acker pointed out to the Government that in respect of privatization of BWIA, and in respect of dealing with BWIA, the investors had this selected information? I want the Government to say that if it was interested in sharing the information of the Acker plan with investors in Trinidad and Tobago, what steps it took to share that information.

**Mr. Valley:** Madam Speaker, please, for the avoidance of doubt, in this document there is Acker's business plan—it is attached as a fundamental part of it?

**Mr. R. Maharaj:** Yes.

**Mr. Valley:** I do not know what the Member is talking about. I do not know what document he has there. The business plan is here as a fundamental part of the investment agreement.

**Mr. R. Maharaj:** But, Madam Speaker, that was only laid about a week ago. The point I am making is that a week ago, Acker was already in the deal.

**Mr. Valley:** Madam Speaker, I say again that the local underwriter had copies of the business plan and all that any interested Trinidadian, or regional person had to do was get in touch with Rodney Persad—and that was known! They had investment meetings here.

**Hon. Member:** Nonsense.

**Mr. Valley:** I do not know what is this hullabaloo he is making.

**Mr. R. Maharaj:** I am indebted to the hon. Member for that intervention. The hon. Member for Diego Martin Central is saying that the Government decides to sell the assets of the people of Trinidad and Tobago and that it does not take steps to tell the people of Trinidad and Tobago and the investors the terms and conditions under which Government want to sell BWIA. Instead, it permitted and facilitated selected people to have this information. That is exactly what I am saying.

**Mr. Humphrey:** Right. The Member walked right into that.

**Mr. R. Maharaj:** It was the responsibility of the Government to ensure that the information was not just for Rodney Persad—not for one bank to have it and for people to write to have it. But that is exactly what they did. In effect, they decided to share it with a selected group.

**Mr. Valley:** Madam Speaker—

**Mr. R. Maharaj:** I am not giving way.

**Mr. Valley:** I need to because, if one is doing a transaction of this type, obviously, one has to get what is known as a “lead underwriter,” who would fully underwrite and syndicate the transaction; and that is done for any transaction of this type. And that is all one attempted to do.

**Mr. R. Maharaj:** Madam Speaker, whether the Government gets a lead underwriter, or an underwriter who is not in lead, or whatever he wants to say, the fact of the matter is, it is Government's obligation, if it wanted this airline to remain with the people of Trinidad and Tobago, and if it was genuinely concerned, if there was a plan, the Government should have published for the

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people of Trinidad and Tobago what they could have vested. The Government did not do that because it did not want the people and the businessmen of Trinidad and Tobago to have control of this airline.

**Dr. Rowley:** Why?

**7.35 p.m.**

**Mr. R. Maharaj:** You see, whatever the reasons are, the people were not even told who were going to be involved as foreign investors. Some people were not told until quite recently.

For example, when did people know that Algico was involved? Two weeks ago, 7.00 o'clock in the morning. The people thought it was Loeb Partners and the Acker group. When did the people first know that Algico was involved in this matter?

As I am on Algico, Algico owns another company called International Leasing Finance Corporation whose business is buying, selling and leasing aircraft. BWIA states it wants to buy aircraft. Is Algico involved in it already? We do not know.

The fact of the matter is that if the Government genuinely wants an airline, which is owned by the people of Trinidad and Tobago, to remain in the ownership of Trinidad and Tobago or with the Caribbean people, one would have thought that the Government would prepare a prospectus, setting out what were the terms and benefits for investment, and publish the information so that people could decide—it is done all the time—whether they could really invest in this company. But the Government knew that Acker knew that it was getting a deal, because the Government knew of this information—Overview of Privatization of BWIA. I quote from this document:

“In general, governments must sell companies at discounts when privatizing. The total restructuring of BWIA is comparable to a bankruptcy reorganization, with past problems and liabilities eliminated. The combination of being able to purchase assets, concurrent with a privatization and a total restructuring provides a unique investment opportunity. Indicative of the opportunities privatizations can offer, a privatization index of all former state enterprises which conducted equity offerings . . .”

And they gave some information.

One sees that quite clearly, Acker as a consultant, in July 1994, got vital information. Government agreed to put his associated company in the



management aspect of it, that is to say, to get international regional investors, and the fact of the matter is that there was selective investment. So this Government cannot say in this transaction that it really wanted the people of Trinidad and Tobago to share in it. That is sad because I would like to read from the *History of the People of Trinidad and Tobago* written by Dr. Eric E. Williams, *The Road to Independence*. He stated at page 247 that we needed:

“...to prevent its liquidation and the retrenchment of several hundred workers .  
..to ensure the vital field of air transport would not fall entirely into foreignhands and to preserve for the West Indian people the rights and privileges...British West Indian Airways is conceived by the Government of Trinidad and Tobago as a National Carrier for the West Indian area as a whole,”

It is significant that the PNM of 1962 are not the same PNM of 1995 and they do not share the same fundamental beliefs of the PNM and one has to ask oneself the question: If this was the belief of the PNM on independence, why did the Government not take every step possible to ensure that if it had to divest, if it had to sell, the people of Trinidad and Tobago would get all the necessary information and try to encourage them to have it? The Government did not do that; therefore the Government has betrayed the principles of the PNM of 1962; it has betrayed Dr. Eric Williams and the people of Trinidad and Tobago and the Caribbean.

When one sells an airline which is owned by the people of Trinidad and Tobago, to foreigners, one is not really privatizing or divesting, one is re-colonizing. That, in effect, is what one is doing, because this national asset is put out of one's control.

**Mr. Humphrey:** That is exactly what he said.

**Mr. R. Maharaj:** Madam Speaker, let us see what this PNM did to show how interested it was. We have dealt with the fact that the information which they had, they kept to themselves and allowed people to deal with it in a selected way. Let us see what the Government did; let us see what I would call the “New PNM”—and outside of the House, I would say “Manning, Valley and Company”—let us see what the PNM did.

As soon as the PNM got into office in 1991, it said that the alternative for BWIA was divestment or liquidation. What did the PNM do? The PNM decided that it would set about contracting First Boston Bank in order to try to get a strategic joint venture partner. Then what happened?

**Mr. Valley:** Madam Speaker, it was not the PNM; it was the last government—a minor correction.

**Mr. R. Maharaj:** Well, the PNM implemented that promise, but in 1991, the PNM stated that it was, in effect, getting First Boston Bank in order to secure a strategic joint partner.

**Mr. Valley:** The year was 1992.

**Mr. R. Maharaj:** All right. What did First Boston Bank do? It did not come to the Caribbean and did not go to the local people. What did the Government do? It decided it would try to get British Air, KLM, British Midland, Continental Airlines, Northwest Airlines, Swiss Air, United Airlines, Lufthansa, USAir and finally, Air Canada to try to see if they could take BWIA. We see the policy of the PNM—not for Caribbean people to have it, not for Trinidadians to have it, not for people of Tobago to have it, but for these other airlines to have it—strategic partner.

What happened? They declined it, and then what happened? First Boston Bank turned to the Caribbean region. And what happened? They suggested a merger of BWIA and LIAT, but with Air Canada performing a major role in the investment. What happened? Air Canada then entered into a joint venture with Continental Air of the United States of America. Then what happened? The whole thing fell through because Air Canada fell through, no longer LIAT.

One sees the interest of First Boston Bank and the interest and motivation of this Government.

**Mr. Valley:** Just a small point, Madam Speaker. Members would be aware that the Government of Trinidad and Tobago with the Government of Antigua has a commitment to present a proposal to the Heads for the privatization of LIAT before January 31.

**7.45 p.m.**

**Mr. R. Maharaj:** Madam Speaker, one sees therefore that there was really no genuine desire by the Government of Trinidad and Tobago to take adequate steps to ensure that the businessmen and people of Trinidad and Tobago retained this airline.

All that has happened here is that because of all the pressures of the union, this 25.5 per cent, or whatever it is, would really not give the workers any means of control over the company. As a matter of fact, as the Member for Couva North

has stated, with huge management expenses the workers' rights would not be protected, and in any event, they would not have any control in decision making of the company.

From the action of First Boston Bank in league with the Government, it is quite clear, therefore, that it seems as though the Government and First Boston Bank did not seem to remember that millions of people in the Caribbean, and even abroad, would be natural potential purchasers of such an airline.

It should be remembered that there was no vital information given at that stage because from the information given to the investors and who decided to invest, they knew that Government was going to write off the debts; and give a seven to 10-year tax-free concession. But the people of Trinidad and Tobago and of the Caribbean did not know that. So how could they say that an exercise for investment can be made if people do not know what benefits they would get if they invest?

It seems to us that the whole policy of the Government was that it saw the future of this air transport system resting in the hands of First Boston Bank and foreigners. The Government decided that locals and the Caribbean people could not have carried the future of BWIA.

Who are First Boston? We have not been told who they are. Who are these people who have imposed Mr. Edward Acker on the people of Trinidad and Tobago? I want the Government to say whether it is aware that it is the same First Boston of New York which has been under investigation by the Securities and Exchange Commission in the United States for questionable handling of a US\$100 million bond issue for the city of New York. I want to tell the Government it should check that because my information is that it is still pending.

Secondly, is this Government aware that this same First Boston has been under investigation by the office of the Controller of New York City for doing business with the brutal, racist, apartheid South African regime when it was against American law for registered US corporations to do business with South Africa? Is that the kind of business enterprise in which they want to have the future of this airline? They have determined, in effect, the future of this airline. This Government has put this major resource and institution of the people of Trinidad and Tobago in the control of First Boston of New York which has had this coloured reputation.

It is very important, even for big countries, when state assets are being sold, that they do not allow foreigners to have control of either management or

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ownership. In the United States recently, the US Government vetoed an agreement between a European airline's purchase of substantial shares in an American carrier as this would have given the foreign investor too much control in the American airline. You would remember the story of the American baseball team, where the sale of this team to some Japanese investors was denied by the US Government on the grounds that baseball is a national sport and, therefore, cannot be owned or controlled by any foreign interest. So one sees the importance of, when divesting, of ensuring that there is divestment and sale in the interest of the people of Trinidad and Tobago.

We have heard in this House about a White Paper on privatization. We have not seen that as yet. It is not a White Paper. It is a report on "*Public Participation in Industrial and Commercial Activities*." The cover is white, so probably the Minister thinks that it is white. When a question was asked of him recently—

#### SITTING OF THE HOUSE

**The Minister of Trade and Industry and Minister in the Ministry of Finance (Hon. Kenneth Valley):** Madam Speaker, I beg to move that this House continue in session until the completion of the debate.

*Question put and agreed to.*

#### BWIA INTERNATIONAL AIRWAYS LIMITED (VESTING) BILL

**Mr. R. Maharaj:** Madam Speaker, it is not a White Paper, because when the hon. Minister was asked a question recently as to why they do not have the policies and the criteria, he said "You could not have a report—

**Hon. K. Valley:** That is not what the *Hansard* would record, Madam Speaker. You would know what the Member asked me was why did I not report before divesting the companies. I told him it was very difficult to report on divestment before the divestment took place.

**Mr. R. Maharaj:** So that supports the point that this could not be a White Paper and he has promised a White Paper in respect of divestment. A White Paper, as you know, Madam Speaker, sometimes flows from a Green Paper, and a White Paper would contain the policy of the Government after there is a Green Paper. So that what the Government has done—

**Mr. Valley:** Madam Speaker, quite simply, the term was used incorrectly. Our policy position was stated in the manifesto and in the Medium-Term Plan. What one had in mind at all times was a report on the divestment programme to date and that is what has been presented.

**Mr. R. Maharaj:** So the hon. Minister is saying then that when he said he was going to present a White Paper, he really did not mean a White Paper; he meant a report with a white cover.

Well, according to this report, it states on page 34:

“Objectives of the Divestment Programme:

- (i) to enhance the domestic climate for investment and Private Sector activity.”

If the Government wanted to enhance that, one would have thought with BWIA you could only enhance it by giving the people of Trinidad and Tobago and the investors material information to make their investment. So one sees that with the objectives they have in this report, the Government even betrayed the report. It goes on:

- “(ii) to provide increased competition and greater efficiency in the economy.”

If they want to promote competition and have a level playing field, they should ensure that all the investors get the same information so that no one would have an unfair advantage. Therefore, one sees that in the process of divestment in this case, the Government, in effect, did not even adhere to its objective. It goes on:

- “(iii) to promote the widest possible involvement of nationals in investment and share ownership.”

If the Government genuinely wants nationals to own a national asset, it would, obviously, give them the information so that they could make their decision to invest. If a person in Trinidad and Tobago who is an investor does not know that if he invests in this project he is going to get tax exemption for seven to ten years, and that the Government is going to write off these debts, how could he make a decision to invest?

So, in effect, what the Government has done by its action in this matter is to prevent people from Trinidad and Tobago from even considering investing in it. That is why the big investors in Trinidad and Tobago, after the Government has already adopted the Acker plan, in principle, and put the Acker group as managers, say they are prepared to invest but not with the Acker group. They did not want to associate with the Acker group because of the history of Acker. So one sees that these are only words. It goes on:

- “(iv) to promote the deepening of the domestic capital market.
- (v) to improve the fiscal balance of payments...”

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So whether it is the manifesto—because they have betrayed that too, because, in effect, they said they would try to get the widest possible public ownership of these assets if they are selling.

This PNM Government has betrayed its manifesto and it has even betrayed the report it presented in the Parliament recently in respect of the process of divestment.

**7.55 p.m.**

Some of the information the people of Trinidad and Tobago did not have, but which the investors had, was that BWIA's assets totalled approximately \$114 million with only \$11.5 million of funded debt compared to \$81.5 million prior to privatization. Secondly, that the equity in BWIA will go from \$39.6 million prior to privatization to US \$67 million post privatization; that four of the L1011-500s of 11 aircraft would be free of any debt or lease obligations; that available cash, post privatization, will exceed \$20 million; that a tax holiday of seven to 10 years would be granted to prospective purchasers of BWIA; that based on—

**Mr. Sobion:** Madam Speaker, would the Member indicate whether he is reading from the Motion which was filed and not yet been served on the State? It appears at paragraph 14.

**Mr. R. Maharaj:** Madam Speaker, I am not reading from the Motion, I am reading information which the investors had. This is in the Acker plan. The Government has not laid a copy of the Acker plan in the Parliament.

**Mr. Valley:** I do not have a copy.

**Mr. R. Maharaj:** The Member does not have a copy? Is the Minister saying that the Government does not have a copy of the Acker plan?

**Mr. Valley:** Madam Speaker, categorically, I am saying that I do not have a copy of whatever document the Member is quoting from.

**Mr. R. Maharaj:** Madam Speaker, one sees, therefore, that the consultant was telling investors—

**Mr. Valley:** Madam Speaker, for the avoidance of doubt, I have a copy of the Business Plan prepared by Acker which is part of this document. Whatever document the Member is quoting from, I do not have a copy of that.

**Mr. R. Maharaj:** Madam Speaker, I want the hon. Member to say—

**Madam Speaker:** Perhaps, the Member can say that he has in his possession a plan which is termed the Acker plan.

**Mr. R. Maharaj:** Madam Speaker, the Minister can say whether, according to that business plan, it did not say based on the purchase of 51 per cent of the common stock of the privatized BWIA for US \$22 million, and a base forecast of \$20.6 million of free cash flow in the first year growing to over \$30 million in year three at five times free cash flow, the investment would be worth over 3.5 times cost by year three which is a 52 per cent per annum increase in value?

**Mr. Valley:** Categorically, Madam Speaker, the business plan has nothing with respect to that. Nothing!

**Mr. R. Maharaj:** Madam Speaker, it clearly shows that the Government has been negligent because this is the information which the Acker group circulated to investors in BWIA.

**Mr. Valley:** Madam Speaker, we employed Acker to do a job. He is the lead guy. He wants to encourage other persons to invest and he prepares a sales document to attract potential investors. He does not give it to me. His responsibility is to find international investors, not regional or local investors, that is the job of BWIA. He does not even have to consult me. He did not consult me. I am not aware of what sales document he has used to attract investors into the deal.

**Mr. R. Maharaj:** Madam Speaker, I would expect, therefore, that if this is so, the Member would investigate it, and he still has time to stop it, according to him. I am asking the Member—

**Mr. Valley:** Madam Speaker, for the avoidance of doubt, the responsibility of the Acker Loeb group is to come by closing, with investors who are prepared to invest a minimum of \$10 million in this transaction, according to all the terms outlined in this investment agreement. Whatever arrangement Acker has with those potential investors is not my business. We are guided by this document.

**Mr. R. Maharaj:** Madam Speaker, if it is not the Member's business, it is our business, and it is in the interest of the people that I should have thought that if Mr. Acker gave investors this information, the Government would be interested. In effect, Acker, the man who was retained as the consultant, was showing how BWIA could be a good investment if people invest in it. Therefore, the Government should have ensured that that information was already given to the people of Trinidad and Tobago.

**Madam Speaker:** The speaking time of the hon. Member has expired.

*Motion made,* That the hon. Member's speaking time be extended by 30 minutes. [Mr. K. Jurai]

*Question put and agreed to.*

**Mr. R. Maharaj:** Madam Speaker, I should have hoped—I want the hon. Member for Diego Martin Central to tell me if he knows of this—that, if BWIA can achieve its target forecast, and if a public market can be achieved in the short term, the returns would be approximately 10 times earnings multiple and would produce approximately 60 per cent annual return for investment in three years? Does the Member know about that?

**Mr. Valley:** No, Madam Speaker. I do not know about that.

**Mr. R. Maharaj:** Madam Speaker, I want to tell the hon. Member that investors were told that by Acker. I want the hon. Minister to say that if the Government had insured that this vital information was given to the people of Trinidad and Tobago, the people and business may have invested in this.

**Mr. Valley:** Madam Speaker, I do not know if that information is correct. Why would I tell it to the people of Trinidad and Tobago?

**Mr. R. Maharaj:** Madam Speaker, I can understand why the Member is getting up all the time. The Government knows that the people were given a deal and to stay out of BWIA and facilitate Acker to have control of this airline.

What can the new BWIA can do for Trinidad and Tobago? The new BWIA will be run and managed by an alien culture which has very little grasp of the idiosyncrasies of West Indian peoples and their own particular way of doing things. For instance, the importance of carnival and Christmas to locals abroad and the need to schedule additional flights during those peak periods. The American way of doing things is to look at the bottom line.

The Caribbean flavour of the airline would be lost. The old BWIA was a very small airline in world terms. Nevertheless, it stood out amongst its giant neighbours because it was able to engender to travellers to the Caribbean a certain warmth and feeling of “Caribbean-ness.”

Flight attendants, pilots and other personnel were not discouraged from speaking in local dialect. This would be threatened by the Acker takeover since it is expected that the new BWIA personnel would be expected to conduct the company's business in the language of international travel. The new BWIA would no longer be in the control of the people of Trinidad and Tobago. If the players in the local tourist industry lose control of this transportation sector which is crucial to our economy, then we would have no control over our own destiny.

This lack of control would be manifested in many ways, since hoteliers would not be able to rely on the new BWIA for maintaining its services along the main



tourist routes. We have already heard from the Member for Diego Martin East what kind of considerations can come into play. This would result, for instance, in an inability to carry out long-term forecasting in determining the number of hotel rooms that would be required to be built to sustain the tourist industry.

Further, in the old BWIA, the Tourist Board and the Hoteliers' Association, as well as other special interest groups were permitted to make representations in respect of traffic routes, times, destinations and prices. There is a considerable doubt, according to the plans—we have not heard from them—whether the management of the New BWIA would permit this type of collaboration.

BWIA would be giving up its most valuable asset, namely, its being the national airline of Trinidad and Tobago, indeed, of the Caribbean. Its enviable safety record may be affected since Acker's pre-occupation with profit would result in cost-cutting. As a matter of fact, the Acker group has a very bad safety record, and a very bad investment record. I want to put on the record that even Acker's investment in the present Atlantic Coast Airlines, which made profits for eight consecutive years immediately preceding the Acker takeover, has run at a loss for all of the two years of Acker's administration.

We have not heard from the Government, since they were going to put this airline under the management and control of the Acker Loeb group, that they investigated Acker. Did they cause Acker's safety record to be investigated? What is the record? Has this Government told this House what is the record of the Acker group with airlines. What is the record of the financial dealings and management of airlines of Acker? If one looks at those records, one would see that Acker has been a failure.

What is going to happen here is that with this Ackerization of BWIA, it would result in the total collapse of BWIA. We forecast that BWIA is going to be closed down in a matter of two or three years; American Airlines is going to take it over—that is the kind of reputation Mr. Acker has—and what we are here witnessing is—what the hon. Member for Couva North said—the funeral of BWIA.

This Ackerization of BWIA would result in a considerable reduction in direct and indirect employment of our local people. Apart from the people who would be affected by the plan that people be dismissed, the reduction of tourist routes would have an adverse effect on the hotel industry, the catering industry, the guided tours industry, the tourist taxis, the crew transport, the ramp personnel, the tower personnel, duty-free shops, local crafts and handiwork industry.

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One sees the ripple effect of the “Ackerization” of BWIA. For example, one can even think about articles and magazines which were used on the old BWIA and which were locally produced. One would see that even with respect to advertisement income, people who were involved in that field would be affected.

**8.05 p.m.**

I do not think that the Government has really understood what Dr. Eric Williams stated when he talked about BWIA as being integral to the national life of the Caribbean and the people of Trinidad and Tobago.

The Ackerization of BWIA would lead to the displacement of the core West Indian repeat tourist market since many residents abroad would no longer be able to rely on a flight to the Caribbean at peak times, for example, Christmas or at carnival. Further the old BWIA would have made arrangements for extra flights during this period with very little dislocation of its schedule. The new BWIA would have a commercial traveller bias which would not give the repeat tourist the same importance. When one looks at this plan, one has to ask the question: What are we to celebrate in this? What is the best thing that has happened to Trinidad and Tobago?

I should like to put on the record the statement made by Jean Holder, Secretary General of the Caribbean Tourism Organization, referred to by the Member for Couva North, for which he did not have the quotation. The *Express*, dated Monday January 9, 1995, page 19 states:

“Caribbean states,' he said, 'must come quickly to an understanding of how important air transportation is to all aspects of their economic lives and they must incentivise their own local private sector to take a controlling interest in existing or new carriers...' 'We must only blame ourselves', he feels, 'if in the belief that privatisation without control solves our problems, we later find ourselves entirely at the mercy of the decision-making process in foreign board-rooms.'“

It is important to note that we are here talking about disposal of a major air transport system owned by the people of Trinidad and Tobago and we do not have this being done, in the context of a policy of the Government on the transport system by air or land. There is a situation of government by *ad hocism*. This Government promised that there would be a policy, but there is none. One would have thought that if the Government was discussing with the people of Trinidad and Tobago a matter which involves the disposition of a vital

communication/transportation system, it would have said what was its policy and how it fits into its plans.

What has happened, as in the case of all other things, the Government decided to come to Parliament because it had to come to Parliament. We are doing a rubber stamp, as in T&TEC, it had to come to Parliament. It did not come with the National Fisheries and Arcadian takeover. If it did not have—

**Mr. Sobion:** The Member for Couva South knows, or ought to know at any rate, that vesting of assets could be done other than by way of legislation. In this case it could have been done; that was an alternative means of doing it.

**Mr. R. Maharaj:** Years ago in Parliament, the people of Trinidad and Tobago passed an Act for BWIA and dealt with it and its assets. Therefore the Government of Trinidad and Tobago had to come to Parliament. If it was not a legal obligation, then it was a political obligation coupled with a legal obligation because the agreement was on the advice of the foreign partners, that it would not have gone ahead with it, unless it was approved by Parliament.

The Government has come here, but it has decided already what it would do. It is treating this Parliament with contempt. The people are rubber stamps. The Government knows that because of the majority it has, it can do that. What does that do? It causes disrespect for the institution. Here it is that one would have thought that if the Government had a genuine political commitment to consult with the people, it would have informed them about what it was doing and the criteria; let them express views and let the opposition parties know, but it has not done that.

Do you know one of the reasons why the Government is very anxious to get rid of BWIA and many of the state's assets? Because we do not have an Unfair Trade Practices Act, as yet—although the Government has promised one. The Government knows it could not have dealt with this divestment in the way it has if there was an Unfair Trade Practices Act, because there would not have been a level playing field for competition.

What has happened is that the Government is rushing through all these deals in order to escape the consequences of not treating the people of Trinidad and Tobago fairly.

### **8.15 p.m.**

In closing, I should like to refer to a recent article by Mr. Ricky Singh on the BWIA transaction. In effect, he compared it to the Jamaican transaction. One saw

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that in Jamaica, when the Government wanted to divest the airline, it gave the people the information and a genuine opportunity to invest. I would adopt what Mr. Ricky Singh has said. He has said that, in effect, getting rid of BWIA is just as if the Government of Trinidad and Tobago is saying that it wants to get rid of and sell the rights in one of its national teams. I would say that the PNM is responsible for "Bye, Bye BWIA."

I thank you.

**Mr. Gideon Hanoomansingh** (*Pointe-a-Pierre*): Madam Speaker, we have listened to various aspects of the debate so far, from both sides, and yet I feel that while we have dealt with matters pertaining particularly to the issue at hand, there are other matters that would form an interesting part of this debate. I tend sometimes to look at some areas which are interrelated but not specifically intertwined with the subject matter because I feel that the peripheral information that we can get from time to time will lend some kind of support to the debate that we are carrying on.

I have heard various statements from Members on the other side who have been talking a great deal about a kind of confidence they have reposed in the man called Edward Acker. During the contribution of the Member for Couva South, the Member for Diego Martin Central said that the Government gave a brokerage contract to Edward Acker to find foreign investors and whatever Edward Acker does to find the foreign investors, that is his plan. Therefore, the Government has absolutely no control over whom Edward Acker can attract, to divest or invest in BWIA and this new plan. It does not matter to the Government of Trinidad and Tobago whether Edward Acker attracts members of the Mafia, the Vatican or people from the slums of the Bronx or Brazil to finance this plan to rescue BWIA.

When I hear a statement like that I get the feeling that not much thought is put into the whole concept which we have called our "Pride in the Skies." BWIA, for all of us, has been a kind of image for Trinidadians and Tobagonians and the wider Caribbean. When we fly to airports in Miami, New York, Toronto and London, and we see a BWIA plane on the ground, we feel a sense of fulfilment, pride and accomplishment that, at least, the efforts of the citizens of Trinidad and Tobago are being paid handsomely in this image of our national airline.

Thirty-three years since political independence, and after a people's agitation that the commanding heights of the economy of Trinidad and Tobago remain in competent local hands, the Government of Trinidad and Tobago has obviously taken us back to the colonial era. It is my conviction that before long all that this

country owns as part of the national development plan would no longer belong to the people of this country. The patrimony is being sold at an accelerated pace, giving the impression that the PNM is like a desperate drug addict, willing to sell its soul to satisfy its habits and its intents, no matter what the consequences are for the wider community.

There is a meaning to political independence; there is a meaning to nationalism; there is a meaning to birthright and I am sure that in the same vein the surviving real disciples of the Founding Father of this nation who came up with the national plan will be traumatized and disappointed in the actions of the present PNM administration.

The 1960s was a very significant period for the people of Trinidad and Tobago. It was at that time that all the transactions took place. The Member for Couva South mentioned the statement made by the late Dr. Eric Williams about rescuing BWIA from BOAC, which had then dropped the airline because it felt at that time that there was no need for it again.

That was when the people of Trinidad and Tobago invested in the airline to achieve certain objectives: to preserve jobs—that point was very eloquently mentioned by the Member for Diego Martin West; to ensure that we had an international transportation system; to usher in opportunities for development of skills and expertise in aviation, and taking the flag of Trinidad and Tobago and the wider Caribbean to major cities in North America and Europe.

BWIA has indeed been our pride in the sky. How very often, as I mentioned earlier, as we touch down at these airports and see a BWIA aircraft among hundreds of international carriers, our hearts flutter with pride and joy that, at least, we have been represented in the metropolises of the world. We have become so very conscious of this national presence, and indeed, BWIA with total national ownership, has been a moral inspiration to us when we see her airplanes, with the emblem of the steelpan, which represents the culture of Trinidad and Tobago.

### **8.25 p.m.**

BWIA, like so many other state enterprises, is the victim of political patronage in the long era of PNM reign in Trinidad and Tobago, and the record is there as proof. Successive BWIA management teams have not really had the interest of the airline at heart. With your permission, Madam Speaker, I would like to cite what I feel is an acute example of what was referred to earlier on in the honourable House as the whole question of mismanagement, and relate that to what I am

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talking about, the successive BWIA management teams not really having the interest of the airline at heart.

Let us look at the Ian Bertrand era of BWIA. When Ian Bertrand assumed the position of Managing Director of BWIA, he went on with grandiose plans and great ideas and promises, but it was during his 14 year reign in that office BWIA experienced its worst financial performance.

**Mr. Valley:** Madam Speaker, I have a real difficulty with this Member coming to this House, week after week, to denigrate and castigate persons who do not have the right to answer his arguments in this Parliament. On the last occasion the Member referred to two other persons, Bernard Dulal Whiteway and someone else on the Tidco Board. Today, he is referring to Ian Bertrand. Madam Speaker, since he is a new Member of this House, I wonder whether at some time you can talk with this Member so that he could maintain the high standard to which we are accustomed in this House. *[Interruption]*

**Madam Speaker:** The Member mentioned Ian Bertrand. If the Member is referring to a certain period, then what the Member can do—because Mr. Bertrand is not here—is say, “Madam Speaker, I should like to refer to the period 1981 to 1995 and to say that was the worst financial period,” and discuss the management without actually naming the person involved.

What the Member is actually attacking is not the person, he is attacking the management, therefore, leave the name out. It really would not take us anywhere. *[Interruption]* That is what I am asking the Member to do—to leave the name out and discuss the management techniques of the officers who were there without naming anyone. *[Interruption]*

Order! Order, please! I think the Member wishes to discuss that period to show that there was mismanagement. I think the Member can easily go ahead and show the effect of mismanagement without referring to the name since the person is not here.

**Mr. G. Hanoomansingh:** Madam Speaker, I feel very comfortable that you, at least, understand that in mentioning a name there is absolutely no personal attack on the individual. But, it deals with facts, and that is what I am referring to. When I mentioned two names in the previous debate in which I participated last week Friday, it was the same premise on which those names were mentioned, not to denigrate the character of any of the individuals. I was only making reference.

On the other hand, I can understand why the Members opposite would take objection. I do not think that if we were in the Government and took decisions

that would affect the lives of people in the country and we are attacked on it, we would sit quietly and listen to the attack—obviously we would have to rebut it. I understand the Member's concern about mentioning these things. I continue to hear that anger come out as though there is a cancer that is eating inside me. Madam Speaker, I think that was dealt with on May 30, 1994, and I do not think I really want to respond to the Members. *[Interruption]*

**Madam Speaker:** Order! Order, please!

**Mr. G. Hanoomansingh:** I was making reference to a period management of in the BWIA when the airline experienced its worst financial performance, and I was talking about errors that were made by the management of the airline at that particular time. I am referring to 1981, when the management got rid of the jet props on the Tobago route.

We have to talk about this because we are trying to establish the point here, that all the problems which developed over the years in BWIA, relate specifically to points made by this side, continuously, about the mismanagement and corruption that took place.

The jet props, as we understand it, were gifts from the Eric Williams regime, fully paid for with spares. When those were sold in preference to an all jet service for the Tobago subsector, that is where the problems began. The problems began because, according to the experts, operating a DC9 aircraft on a sector 50 miles apart, is an uneconomical range. What they also said was that for the jet service to be profitable, it needed an economical range of 500—600 miles apart, not Tobago-Trinidad.

When the jets came, the people were very happy because a jet was airborne every ten minutes from Piarco and from Scarborough, but the coffers of the airline suffered tremendous losses because the jet service for the Tobago subsector was prohibitively high. Because of that, the airline continued to lose money. It was a bad decision and the experts said that. They also said that using a jet between Piarco and Scarborough was a criminal waste of an airplane.

Obviously, the thinking was bad, it was wrong. It was in the opinion of the experts immoral to enter into that kind of arrangement. That was compounded by the introduction of the MD 80s to service the New York and Toronto routes. These are the “bread and butter” routes of BWIA. At that time, to further compound the losses of BWIA with the MD 80s—the attendant poor service cost—especially during the peak periods, Christmas and carnival, the seat demand could not have been met and baggage was a sore point with BWIA.

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I am quite sure that this nation will remember very vividly, the kinds of problems experienced by the travelling public in terms of baggage, especially when coming from Toronto and New York. When a resident in one of those countries returns for Christmas or for carnival, he brings with him all kinds of gifts, because the spending dollar in the United States, especially, affords him the opportunity to do so. Therefore, baggage was a major problem.

Expanding into Europe was also one of the terrible ills, according to our research that took place during that era. Whilst BWIA was preparing to go into Europe, it did not have the necessary back-up equipment to service the Toronto and New York routes. Of course, losses ran into billions of dollars. All this occurred because of the Government's inability to supervise the operations of what was a state enterprise at that time. Fourteen years and \$1 billion in losses during that period.

I submit that if proper business management techniques and strategies had guided the airline at that time, without interference from the political directorate, the chronic losses experienced by BWIA might have been transferred into profitability, especially in the boom years.

**8.35 p.m.**

During the boom years we experienced money in this country like floods flowing in the plains of central Trinidad during the wet season. It was the time in this country when a clergyman of high repute said that the blues culture had stepped into Trinidad and Tobago. If someone wanted a soft drink and he had to go to the sidewalk parlour to buy it, he used a \$100 bill to purchase it. That is what he referred to as the "blues culture." We had the financial wherewithal to put our House in order, and we did not take advantage of it. Then when we come into the House and speak about these things and go back into historical perspective and state the facts in the Parliament, all kinds of innuendos are raised by Members on the other side.

As I said, it is quite obvious that I will accept that. I will listen to it because I know that they continue to feel the hurt because of the actions of the party and Government to which they belong. I do not think that we can really sit in the Parliament and allow these things to go by and not make reference to them. When actions are taken by the Government in power and these actions affect the people of the country, everybody suffers.

When we talk about the boom years and what happened with BWIA, we do so in the context of an admission contained in the executive summary of the



investment memorandum with BWIA. In terms of this investment plan—an attractive plan for the route rights; a stable revenue stream; a strong regional market base; competent in-flight professionals and qualified ground support staff. Therefore, it must hurt the hearts of nationals of this country to know that BWIA is now in the control of our new colonial masters. There is no question about that. That argument was put forward here on our side and before long, if not already, I am quite sure Members on the other side will understand that.

The condemnation is not under-skilled pilots; they are considered some of the best in the world. As a matter of fact, Edward Acker himself describes the BWIA pilots as the finest airmen in the business. The condemnation is not in the charming flight attendants nor the engineers and mechanics who together have kept BWIA with an enviable 100 per cent safety record. The condemnation is on the Corporation Sole who uses political criteria instead of aviation management expertise.

There is a glaring example of two men at the highest executive levels of BWIA who are working at cross purposes at the present time. I mention these things because they add up very handsomely to the difficulties into which BWIA found itself. Joe Esau, the current chairman of BWIA, appointed in the late stages of the NAR administration, I understand, served in that capacity for a short period and then his position was reverted to that of chairman of the airline. I understand that he was recruited to turn around the airline. The Member for Diego Martin Central boasted that not a member of the board that was appointed originally by the former NAR administration was removed except Mr. Ian Bertrand, Managing Director, who tendered his resignation and was a board member and had to be replaced.

Esau's mission was to turn around the airline. Of course, he would have been receiving quite a handsome salary, perks and things of the sort. What has been his track record since he assumed the position? Our understanding is that his greatest act of remembrance in the airline, so far, is to attack the workers' pension fund in various ways. This is important when we consider an airline that is in tremendous financial difficulty. High salaries are being paid. One weighs that against performance and the effort or the ability to get the airline out of the difficult financial state.

I refer to two articles in two of the weekly newspapers. One was published in the *TNT Mirror* of September 2, 1994 headlined: "Esau's \$19,550 on the side." It refers to a voucher which was paid to the chairman of the board, Joe Esau.:

"Is BWIA's well paid chief executive officer, Joe Esau, also carrying out private duties on the side at the national airline? If not, what is the explanation

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for this \$19,550 invoice tendered for one month alone in Esau's name? And does the BWIA jefe pocket similar sums periodically 'for services rendered', in addition to his hefty salary and perks?"

In response to that article, in the *Bomb* of September 7, 1994, an article headlined: Esau's hands are clean—BWIA defends chairman on \$19,550 March, 1993 invoice for services rendered," in part, says:

“BWIA has dispelled rumours that Chairman, Joseph Esau, has a sideline business arrangement with the national airline. Responding to assumptions and innuendoes raised by one of our nation's weeklies, stemming from a suspicious tax invoice that was circulated to various media houses, BWIA has made it clear that the items which appeared on the invoice were all legitimate payments made by the airline, stressing that there was no foul play, or undercover racket taking place.

According to the invoice, which *Bomb* also got a copy of, but opted to investigate rather than speculate, Joe Esau was paid \$19,550 in March 1993 for 'services rendered' to the airline during that month.

After receiving the invoice from our BWIA sources, which was signed by then acting Chief Executive Officer, Craig Reynold, *The Fearless Weekly* conducted indepth investigations and found out that the money paid to Esau was in fact salary payments made to him when he was functioning in the capacity of Executive Chairman of the airline.”

The sum of \$19,550 was paid to Joe Esau in March, 1993. My understanding is that he ceased to be the Executive Chairman of the airline some time between March and April, 1993 and reverted to his position of chairman. The article ends by pointing out that Mr. Esau was getting something just under \$4,000 as the chairman of the airline.

I have a statement which indicates that between May and July, 1993, Mr. Esau also received, for those months, \$19,550. Then from August to May 1994, he received salaries or payments that were just under \$19,550. For example, in August, 1993, he received \$14,375 and that took place until December, 1993.

**8.45 p.m.:** *Sitting suspended.*

**9.20 p.m.:** *Sitting resumed.*

**Mr. G. Hanoomansingh:** Madam Speaker, just before we took the break, I was trying to get across the point that there is some measure of doubt and

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suspicion in my mind, at least, in the performance and the stated objective of the Chairman of BWIA, Joe Esau. That is why I read from two articles and a statement that indicated what I was trying to explain in terms of the finances of the Chairman, considering the fact that, in the article he stated that his emoluments are determined and released by financial consultants and, as the chairman of the board, he gets just under \$4,000. But that statement indicates, that between December 1992 and May 1994 the Chairman received \$280,922.75.

One would ask the question: Why is it important to raise that? It is important because my understanding is that Joe Esau, the chairman of BWIA at the present time, is slated to get a high executive position in the new BWIA. As a matter of fact, it is my information that Mr. Esau is going to be the Executive Vice-Chairman of the New BWIA.

If it is that we are operating on the premise that there is suspicion, then it must be important for us to point out that, so that we do not run the risk of the New BWIA finding itself in a similar position, because one of the main reasons given for the non performance, or financial difficulties of BWIA, was that it paid its employees, especially its executive employees, too high salaries, overstaffing, and that kind of thing.

Under the new arrangement, we understand, from the memorandum of understanding, executives in the new BWIA will be getting upward of US \$7,000 per month and that, in any estimation, is quite a substantial amount of money. So that we have to question the authenticity, the performance, and everything associated with profits in respect of these people.

Before I talked about the chairman, I referred to two men at the executive level working at cross purposes. I made the point only to demonstrate that when the shareholders determined that they could no longer absorb the exorbitant costs and the drain on the national Treasury, and could no longer provide large subventions to BWIA; after several operations had floundered, a son of Trinidad and Tobago with an admirable track record with a foreign airline, had been recruited in the same mission to rescue BWIA.

A three-year contract, I understand, was offered and he came to BWIA also with grandiose plans and great promises, and it was not difficult to believe that his mission would have been successful because of the fact that in Air Canada, Conrad Aleong had a tremendous track record of success. The pilots and general staff at BWIA recognized in him aviation professionalism, management efficiency, and the human touch. The signs were very positive, according to our

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information,—encouraging; and the ink on the balance sheet showed signs of moving from red to black. But what was happening, was that as that professionalism was being demonstrated he, too, became a victim of the political tool.

I understand that in exercising his professional judgment in recommending the appointment of a new chairman, he found himself in very deep waters and, as a matter of fact, got involved in near fist fights at board meetings. Two men at the executive level of BWIA, being paid high salaries at the taxpayers' expense, at BWIA's expense—at the expense of the people of Trinidad and Tobago—were getting involved in that level of fights; and we are talking about wanting to save BWIA and save the “pride of the skies.”

It is very disheartening to understand that at the height of the divestment deal, a letter comes from Conrad Aleong dated November 28, 1994, to the staff. I shall read just a little part of it:

“Between now and December 31, 1994, the most significant senior level activity at BWIA will be focussed on closing the divestment of BWIA.

The Divestment Secretariat of the Government, the Chairman and others will be the principal participants in this priority activity.

At the same time the key executive management decisions affecting the 1994 Business Plan and Christmas operations have been determined.

Given the above, the Corporation and I have agreed that this would be an appropriate time for me to take some leave.”

He is the Chief Executive Officer of BWIA, and not having anything to do with the Divestment Plan.

So bad is the situation, I understand, that Conrad Aleong was asked to sign a letter of indemnity indicating that he will not get involved in the divestment plan—because of what seemed to have been a person of professional integrity questioning certain decisions, supposedly getting into the way of someone who did not want that deal to go through.

**Dr. Rowley:** Madam Speaker, I do not wish to challenge anything the Member is saying, because I have no information, but for clarification, I heard the Member for Couva North, earlier today, speak of a certain Conrad Aleong involved in corrupt practices with respect to the C-checks on BWIA aircraft. I wonder whether it is the same person the Member is talking about?

**Mr. Humphrey:** He never said that; he did not say anything about corrupt practices.

**9.30 p.m.**

**Mr. G. Hanoomansingh:** I do not recall, Madam Speaker, any allegation of corruption made by the Member with respect to Conrad Aleong. I checked subsequently the reason for the C-checks being made in Boston and I was told by one of the engineers of BWIA that that took place as a result of what was considered in Trinidad to have been a slow process that hampered operations of the airline and as a result of which—

**Dr. Rowley:** Thank you very much. Madam Speaker, since the Member has found that out, I wonder if, in the absence of the Member for Couva North, when he sees him, he could ask for an apology on behalf of Conrad Aleong.

**Mr. G. Hanoomansingh:** Madam Speaker, I do not think that I would want to entertain the thoughts of the hon. Member for Diego Martin West. I shall continue because I feel the facts that I am offering to the House bear greater significance to this debate and the future of BWIA in the context of what we are talking about—divestment and the plan to rescue BWIA, the airline of the Caribbean, which we have grown to know as our own, and that is obviously not going to be in a position in the very near future.

It is important for us to make these comparisons because if we have to determine that BWIA, in fact, is going to be as profitable as Members on the other side would want us to believe, then we have to look at all aspects of it. There is a statement: “show me your friends and I will tell you who you are.” That is so true. Show me your friends and I will tell you who you are if even I did not know anything about you; but I knew about your friends.

I want to quote certain sections of a book I have been reading entitled *Deregulations and the Shake Out in the Airlines—Rapid Descent*. It was written by Barbara Sturken-Peterson and James Glab, two American aviation industry reporters. In this book they have quoted names of people who are very much in executive control of some of America's leading airlines that have subsequently found themselves in difficulty—Carl Icahn, Bob Crandall, Frank Lorenzo—and that is a name we, in Trinidad, are very familiar with.

Frank Lorenzo used to be the head of several airlines whose style led America to believe that he was the most hated boss. He was the kind of person of whom it is said when he sat near to the Queen of England, he would ask her, “How much are you selling Wales for?”

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That is the kind of person Frank Lorenzo is; General William Seawell of Pan Am, Al Casey of Braniff and also in this publication by Barbara Sturken Peterson and James Glab; mention is made of Delta and United Airlines, People Express, Dick Ferris of Southwest Airlines and, of course, Ed Acker, the man in question, the man we are talking about today, the man with whom the Government of Trinidad and Tobago has entered into a “cat-in-bag romance.” The question was asked earlier on in this honourable House: What kind of research was done on the man called Edward Acker to really determine that he is the person with whom this Government should deal in terms of bringing BWIA out of the financial rot that it is in?

Let me first of all deal with one aspect of the book as recorded at page 14. It talks about a group of airline executives who would meet very often and would consider what would be the future of airlines in the United States. They called themselves “conquerors of the sky.” They would meet and determine all kinds of decisions that would put the airlines into proper perspective, in a financial balance, in all kinds of things. Edward Acker was one of the persons involved, and who formed a part of that group in later years.

According to this book at page 142, I should like to read what it says about Edward Acker.

“Acker, a tall, mild-mannered Texan, had at first seemed a promising candidate to turn Pan Am around, for by 1980 he had accomplished the unusual feat of making a personal fortune in the airline business. After working in finance jobs, he became president of Braniff in 1970. He left that post in 1975 and soon afterward spotted an investment opportunity in an intrastate puddle-jumper called Air Florida. Figuring that the airline could profit from National's and Eastern's decision to cut back on flights within Florida, Acker bought several hundred thousand dollars' worth of stock in the carrier. Other Wall Street investors took notice and the stock price shot up sixfold.

Acker's success . . .”

—according to the article,

“. . . with the rapidly growing carrier did not go unnoticed in airline circles.”

He had moved to Miami and had assumed the position of CEO of that airline in 1977.

“In 1981, he got a call from a headhunter asking if he would be interested in running Pan Am. Acker had a head start. At Conquistadores meetings, Acker

had come to know Jack Parker, a Pan Am board member and vice-chairman of General Electric, a major supplier of jet engines. Soon after he'd accepted the Pan Am job, Acker joked . . .”

And I am quoting from the book.

“. . . that 'I've always wanted to be captain of the *Titanic*.'

Although the company was virtually bankrupt,”

and he is talking about Pan Am here, Madam Speaker.

“the Pan Am board offered the already wealthy Acker a handsome package: a \$250,000 lump-sum payment, a base salary of \$350,000, a minimum annual bonus of \$100,000, and options on a million shares of stock. A rent-free apartment at the luxurious Westbury Hotel on Manhattan's Upper East Side was thrown in.”

—as perks.

“The \$500 million that Seawell . . .”

and this is General William Seawell of Pan Am—

“had negotiated for the sale of Pan Am's Inter-Continental Hotel unit had been used to pay off jittery banks and to reduce corporate debt. Once the banks got paid off, they were reluctant to loan any more money to the struggling airline. Some of the first meetings Acker held after moving into the forty-sixth floor of the Pan Am building were with bankruptcy lawyers.”

Quoting the book:

“‘We seriously considered it very early on,’ Acker said, but finally decided against it, largely because the disastrous Braniff bankruptcy was still on everyone's minds.”

Everybody knows the track record of Edward Acker as far as Braniff was concerned. We talk about Edward Acker and what he was able to do in the aviation industry in the United States and cited Braniff as an example, but what he did with Braniff when he took Braniff out of the red, when he left, Braniff collapsed. That is only one aspect of it.

“At first Acker appeared to justify his princely income. Two years after he arrived the company's stock price, which had been hovering just over two dollars when Seawell left, had nearly tripled. Acker trimmed some of the money-losing trophy routes Trippe had acquired and shifted planes into more

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profitable markets. He also cut down on the airline's bloated bureaucracy and hired bright young executives away from other lines, luring Gerry Gitner from People Express and Steve Wolf from American.”

The article continues to paint a picture of Edward Acker as seen through the eyes and research of two well-respected airline industry reporters in the United States, and given in this book entitled *Rapid Descent*, I am talking about Edward Acker and his lifestyle, living it up and dining and:

“... mingling with celebrities and jetting from one home to another, including a sprawling mansion they had bought on Bermuda.”

**9.40 p.m.**

Now there is nothing wrong about a man and his finances and what he does with all of these. But you see, I think we have to give thought to the background of all of these issues, because this is a man with whom we are now dealing and if it is that he ran Braniff to the ground and also Air Florida, then who are we—

**Mr. Bereaux:** Madam Speaker, would the Member please give way? I am just trying to get some clarification. The Member said earlier that Acker was responsible for bringing Braniff out of the red, and when he left, then the airline went down. Now he is telling us he ran it into the red. Which one is correct? I do not know.

**Madam Speaker:** The speaking time of the hon. Member has expired.

*Motion made,* That the hon. Member's speaking time be extended by 30 minutes. [*Mr. H. Bereaux*]

*Question put and agreed to.*

**Mr. G. Hanoomansingh:** I am very grateful to Members, especially to the Member for La Brea. Yes, Braniff was in difficulty. Edward Acker got involved and he was able to turn around the airline. But after he had succeeded in making his profits, when he left, the airline collapsed. That was not the only example that I am talking about, because if you would recall I went on to talk about Air Florida. He was able to turn Air Florida around from 13 planes to 37. When he left it collapsed as well, that was his pattern. Not only that.

The pattern continued with Pan American World Airways; when he went into Pan American World Airways it was also in serious financial difficulty. There is no question about that. We agree with that, and the book says, quite categorically, that that is the situation.



But there is another aspect of this which I would like to share with hon. Members because I feel it is important for us to know exactly the man we are dealing with. It has to do with the employees. I will not quote all the details of the transactions, but I want to just say very briefly, according to the account of this book—you see, when we paint Edward Acker into this great human picture, a man of tremendous success in the aviation business, as we are hearing from Members on the other side, we must also understand that in the Pan Am scenario, it is stated in this book on page 234 that:

“Labour leaders told the Pan Am board that they refused to negotiate with Acker or his representatives. 'The unions, particularly the Teamsters, absolutely hated Acker, and were constantly running diatribes against him in their own publications,' one Pan Am board member recalled. 'At the very end, the board didn't think that Acker was giving them the straight dope on what he had been negotiating with the various unions. Morale and labour relations were a terrible problem in the company at the time.'

At a meeting around Christmas, Pan Am's directors concluded that Acker could no longer lead the company. The continuing losses were causing alarm among shareholders and the impasse that had been developed between management and labor was just too intractable. Acker, like Ferris, has been given a strong shove out of the door by the labor unions and the shareholders.”

This is the same man they are talking about, of whom we quoted earlier, having turned around Braniff and Air Florida and also caused the collapse of those airlines. In other words, what he was doing was leaving them as a shell on quicksand. That is what happened. That was the role of Edward Acker and that is the man with whom we are dealing.

If the proper controls are not put in place—and we are seeing it already—because of the man's influence—and I think that he was given the job because of his influence in the international aviation circles—he would put BWIA, before long, in the same position; leave it as a shell on quicksand. When that happens, then who in this Government would take the responsibility for it? Because it is quite obvious they are not looking ahead at what could happen. It is obvious to me that this was a case of desperation. The hon. Member for Diego Martin West said PNM is getting the job done, but at whose expense?

This is a very serious issue, because, you see, when we look at some of the arrangements and we talk about suspicions, and so on, we hear all kinds of

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rebuttals from Members on the opposite side. For instance there is a situation that is in the deal that says there is a company called AIG, which is one of the investors found by Edward Acker. That company owns the International Lease Finance Corporation. That lease corporation is fully owned by AIG, a company that invested \$5 million in the divestment of BWIA through Edward Acker. That is the same company that will lease seven 757s and 767s to the new BWIA.

**Hon. Member:** So what?

**Mr. G. Hanoomansingh:** One Member is intimating it is not so; the other one is saying, “So what?”

What is that? Is that not preference trading and insider trading? That company is associated with Algico in Trinidad and Tobago.

**Hon. Member:** So what?

**Mr. G. Hanomansingh:** You see, when the point was made earlier on about the fact that information was not made available to the wider community in terms of the divestment and the availability of people, one has to ask the question: Do we not, in the Caribbean and in Trinidad and Tobago, have the financial wherewithal to invest \$20 million in BWIA to keep the airline in local and Caribbean hands? There are regional financial corporations that span the Caribbean and further afield. I am of the view, if the intention was to really keep the airline in the hands of Trinidadians and Tobagonians and the Caribbean peoples, that would not have been difficult to achieve at all.

What are we to assume in all of this? You see, in my opening remarks I made the point that independence seems to mean absolutely nothing to some Members on the opposite side. We hear a lot of talk about BWIA being turned around and that the financial position of the company will be good in the not too distant future. We are told that Acker, this aviation giant, is going to turn it around—because that is the deal—and he is the only man who came up in six years to do that job, and will do the job. That is the confidence of Members on the opposite side. So what do we expect? If it is that Edward Acker is getting BWIA on a platter; if he did not make a profit, then something is ridiculously wrong with the man.

But you see, this is the pattern of the Government as far as divestment is concerned. They wipe off all the debts and then give it away to the foreigners, and when a profit is made they say, “ Well, you see, we did this and because of what we have done this company is now making a profit.”

Where is the profit going? Edward Acker will never, have the interest of Trinidad and Tobago, the Caribbean and BWIA at heart. When he is finished with this airline, what will happen? He would leave it, as I said, as a shell on quicksand, and then we will have to look for Members on the opposite side and see who are willing to examine their conscience.

**9.50 p.m.**

This whole issue of political independence is a serious matter. This latest love affair that has developed between the Government of Trinidad and Tobago and the new colonial masters operates out of the boardrooms of places such as Atlanta; Texas; New York; Washington, maybe, in Miami too.

As a citizen of Trinidad and Tobago I cannot allow a recent statement by the Member for Diego Martin Central to pass by without mention in this honourable House. It has to do with the signing of this divestment deal between Edward Acker and the Government of Trinidad and Tobago.

In my opinion, the most humiliating damnation on the sovereignty of Trinidad and Tobago was witnessed last week when an elected representative of the people, the Minister of Trade and Industry, the Hon. Kenneth Valley, announced that the Government of the Republic of Trinidad and Tobago had adjusted its timetable for a 7.00 a.m. signing of the BWIA investment agreement so as to allow Edward Acker to catch a plane at 9.00 o'clock.

Madam Speaker, the question I ask this honourable House tonight, is: Who is the boss? I leave the Members on the opposite side to answer that question.

Thank you very much, Madam Speaker.

**Mr. John Humphrey** (*St. Augustine*): Madam Speaker, an English businessman who has been visiting Trinidad and Tobago for almost two and one half decades now, remarked to me a couple of days ago that he was here when the PNM nationalized and was a witness to the tremendous corruption that occurred in that process; and he is here now when the PNM regime is denationalizing with the same level of corruption. He described it as taking two bites of the cherry in, perhaps, the most classical way he has ever witnessed it.

**Hon. Member:** Who is this person.

**Mr. J. Humphrey:** An English businessman.

I want to endorse that observation, but, I want to do a little more. I want to go back to the PNM manifesto for the 1991 general election, and I want to expose the

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Member for Diego Martin Central as being a man with forked tongue, incapable of being consistent in anything he does.

I, in the past, drew it to the attention of the national community—unfortunately, the people in the media are so unconcerned that they did not take it up at the time—and the people were inclined to believe what the Member for Diego Martin Central put on this parliamentary record, that I was misinterpreting the PNM's manifesto when I quoted from it. Under “State Enterprises”, this is what the manifesto say:

“An orderly programme will be implemented to divest Government shareholding in companies which do not fall into any of the classes mentioned above.”

What are the classes mentioned above in which the PNM manifesto said they would not divest any of the shareholding.

- the industry or enterprise is of strategic importance, e.g. oil and gas, and telecommunications
- the enterprise provides a major social service, e.g. T&TEC, WASA, PTSC
- the industry or enterprise is essential to the economic diversification drive and the private sector is unable to channel financial resources into such investments, e.g. downstream petrochemical plants from urea, methanol or natural gas
- a foreign investor is interested in a major project but wishes to minimise country risks by including the State as a partner
- Government shareholding in the above companies will be reduced over time through a programme of divestment.”

**10.00 p.m.**

That is what it says and what it means. They are saying that it does not mean that. I have another document here. This document is co-authored by Kenneth C. Valley and Morris E. Marshall. If you read the PNM manifesto, and the contribution of Sen. Valley made in the Senate when he and his colleagues were in the Opposition, you would see that the things which are stated in the manifesto are stated verbatim in that contribution. [*Interruption* ] He is consistent in the fact that he has a forked tongue. That is what I am saying here.

Let me quote the hon. Kenneth Valley who is now Member for Diego Martin Central, from the book entitled, *In Defence of The People's Interest*. Page 40 states:

“The Rampersad Committee outlined the PNM's thinking on the role of the state enterprises sector very succinctly. The Report noted that the expansion and diversification of the sector, particularly during the 1970s was part of an overall strategy to transform the economy and add new sources of income and employment generation.”

That was the basis of the strategy of nationalization. I continue.

“Thus, the PNM's thinking on the state enterprises sector was outlined very early in the Report which then addressed some of the problems encountered by this sector.

The Committee noted that notwithstanding the problems encountered, the sector performance was encouraging.”

What we heard from him today were the problems encountered, the accumulated losses over the years that the Government has written off to enable this foreigner to enter and take charge. This foreigner, ably described in the book quoted by my friend the Member for Pointe-a-Pierre would stay there for several terms because he is a young man.

“The value added in the sector in 1985...”

It was crucial in 1985 because the oil boom ceased in 1983. This is two years after the cessation of the bonanza that we enjoyed with the high price of oil.

“was \$2.9 billion; capital investment was \$1 billion; 53,700 persons were employed, while exports from the sector totalled \$3.9 billion. The sector generated an overall operating surplus in 1985 of \$451.5 million. In addition, there were non-operating receipts of \$320.7 million.”

That is the state sector, the main engine of growth of the economy, and quite rightly, under the stewardship of the late Dr. Eric Williams.

“Against that background, the Committee counselled against the use of financial and economic criteria as the only yardsticks to be applied in determining the state sector portfolio, pointing out that it was necessary to give due weight to the positive side of state participation in industrial and commercial enterprises, especially in promoting economic transformation in an environment in which 'the indigenous entrepreneurial class is not

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extensively populated by risk takers', and private foreign investment will play, at best, a marginal role outside the resource industries. Besides, while the country should adopt a very positive and active policy towards private foreign investment, due account needs to be taken at all times of the reverse flow of income which it entails."

The Government has lost concern for that now. These are words that the Member for Diego Martin Central quoted in the Senate and they are recorded in his own publication.

"In other words, the impact on the balance of payments of private capital inflow is not always benign."

My colleague the Member for Oropouche recently revealed that a study has indicated that inflow matched to outflow was 25 per cent of outflow. Outflow was four times inflow of foreign investment in the recent history of this country.

"The PNM agrees with this view."

He said that in this publication. [*Interruption* ] Who says I am misquoting?

**Mr. Casimire:** I said that.

**Mr. J. Humphrey:** Does he want to read it? We would give you a book.

"We believe that there are three fundamental reasons for state enterprises. In our view, state participation in the commercial sector is imperative where:

1. the industry or enterprise is of strategic importance, e.g. oil, BWIA;
2. the enterprise provides a major social service e.g. T&TEC, WASA, PTSC, TELCO;
3. the industry or enterprise is essential to the economic diversification drive and the private sector is unwilling or unable to channel financial resources into such investments, e.g. downstream petrochemical plants from urea, methanol, or natural gas;"

What has happened today? I endorsed all of this then, and I thought there was some hope with a change of government.

4. a foreign investor would, without state joint venture, be unwilling to be exposed to the country risks but is interested in a significant export-oriented project.

As fact the State, at present, has within its portfolio, companies which do not fit in any of the above groupings." [*Interruption*]

Does he want me to read it again for him?

“As fact the State, at present, has within its portfolio, companies which do not fit in any of the above groupings.”

That is very similar wording to what is in the manifesto.

“Our view is that the State should, in an orderly fashion, divest its interest in these Enterprises.”

He has stated exactly what the manifesto stated, according to my interpretation of it, but they say that the printer's devil was at work and altered the meaning. Forked tongue! Like a snake!

**Mr. Valley:** Read the next sentence!

**Mr. J. Humphrey:** I continue. Page 42 states:

“In any event, even where the State Enterprise fits the criteria, our policy envisages the eventual selling of shares when the enterprise has been established as a fully going concern in the economy, subject to considerations of the strategic importance of the enterprise. What is important, however, is that in any such divestment, mechanisms must be in place to ensure the widest distribution of the share ownership.”

Is that Ed Acker? Was the Government talking about that?

“We, in the PNM, believe that what is desirable and achievable in the medium term are economic security and control of our strategic resources. In this regard, our policy is that the Government should seek out new foreign investment actively, particularly in joint ventures, for new export-oriented projects.

Moreover, in those situations where international market considerations create circumstances that favour a foreign partnership, part of Government's equity may be divested to a suitable foreign partner provided most of the following conditions are met:

- the foreign partner brings an assured international market;
- the foreign partner offers an opportunity of equity in its own shareholding;
- where downstream activities are associated with the plant, there must be a commitment to establish some element of the foreign company's downstream activity in Trinidad and Tobago;

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- the company is a leader in the technology of that industry.

Any funds flowing to the State as a result of such a divestment should be used to finance investments in new enterprises which fit the general criteria outlined earlier. In addition, to enhance the portfolio mix of Government investments, financial proceeds from divestment should be used to invest in profitable and potentially profitable enterprises both locally and abroad.”

[*Interruption*] I am going to read some more.

**Hon. Members:** Read on! Read on!

**Mr. J. Humphrey:** Page 43 states:

“The PNM's concept of divestment involves the transfer of shares in the State Enterprises from the control of the state where they are being currently held in trust for all the people, to direct ownership by a wide cross section of the national community. In keeping with this basic philosophy we would continue to emphasize the widest distribution of any public offering of state company shares. Further, we will implement the following three specific measures to ensure the achievement of this objective:

1. A regime of incentives designed to encourage new shareowners in the country would be established to facilitate investment in shares that have been divested;”

[*Interruption*] Yes, it is here, but you betrayed that!

- “2. An education programme would be launched to inform the public of the benefits to be derived from share investment and ownership;”

This is like what the Member for Couva South exposed in the way Acker as against interested locals were treated. It was quite different. Forked tongue!

- “3. The operation of the stock market would be reviewed to facilitate the achievement of the objective of the widest possible participation in the ownership of newly divested companies.

We reject and regret the privatisation approach of this Government—the selling-off of assets simply to raise cash for the current account.”

That was their criticism then of the NAR regime. It is the same criticism now of their regime. The manifesto spells it out even more meticulously, but I am not going to read any more of it because, in fact, the Government does not adhere to anything it believed in then. What has made it change? When I asked the Member



for Diego Martin West, if there was not a fourth option in his consideration of what to do with BWIA, why did he evade it? There is a fourth option, and a particular one that was immediately accessible to the Government.

I want to quote a little from this document, because it is the kind of thing that was done in the United States of America where management was in trouble with perhaps, the world's biggest airline. It certainly had the command of the world's greatest international routes; whether it is the biggest, I am not sure. United Airlines was in financial trouble and losing a lot of money. It had options.

It exercised a particular option that was readily available to this Government and to the management of BWIA. I should like to quote from this document to say how it was done.

**10.10 p.m.**

Let us see, first of all, how United is positioned at the time of this publication. This publication is called "Destination—Where Employee Ownership is Taking Us." It promotes the workers at United, all of them, to buy equity and to own and control the airline.

"Since 1988, United has made a series of significant moves that have transformed it from one of the slowest-growing U.S. airlines into a dynamically growing concern.

During that period, United has grown from fourth to first among major airlines in international available seat miles (ASMs).

That represents a doubling of the percentage of capacity United holds in international markets. At the same time, United has solidified its position as the world's largest air carrier.

It certainly is, in fact, the world's largest air carrier.

"Finally, United took delivery of 289 new aircraft between the end of 1987 and mid-1994. That represents more than an 800 per cent increase in new aircraft delivery from the six prior years. These new planes have helped reduce United's average fleet age by 30 percent, from 13.7 years in 1987 to 9.6 years in 1993.

These improvements—and many others have been brought about by United's employees and management—have created much of the value that exists in the company. This value has enabled United to withstand industry changes better than most.

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Despite the significant improvements United has made in recent years, the competitive picture remains unclear. As United examined its options to deal with this troubled outlook, it determined that there were many choices, but only three plausible options:

- accept the status quo,
- take unilateral management action to radically reshape the airline, or
- work with employees to reduce costs and increase competitiveness.”

Management took the decision to work closely with the employees. Nearly all the groups of employees of United Airlines supported the move to transfer the ownership to the workers, but one significant group stayed out, and that was the flight attendants.

In the case of BWIA, every single group of workers, through its trade union, has indicated an interest in purchasing the airline. It is a unanimous decision taken by the local workers of BWIA. The trade unions representing the workers—all of them—argued that the pension surplus, that is the fund of money which is not needed in the immediate future to meet the commitments of the pension plan, should be made available to workers—arguing that it is their pension—to purchase the airline.

They showed an interest in purchasing more than the amount allotted by the Government. The Government immediately said 'No! The pension does not belong to you. The pension belongs to the company and the company belongs to the shareholder which is the Government. Therefore, the pension surplus belongs to the Government.' That is what they said.

But we heard today—it is now on record—that this Government agreed to workers drawing \$45 million from the surplus to enable them to buy 15.5 per cent of the equity in this Acker deal. We also heard—it is on record—that the current surplus in the pension plan is \$150 million. It, therefore, logically leads to the conclusion that if the Government had told the workers they could use the \$150 million in the surplus, they could buy the whole airline at the price Acker has indicated the airline is worth. Forty million US dollars is 100 per cent of the equity of the airline.

The workers would be perfectly happy to go into partnership with the Government, and the Government had the option, instead of inviting Mr. Edward Acker for the second time around. He has taken two bites at the cherry now. He was here before. *[Interruption]* He was here when I was here, yes. I exposed him

in 1977 in this very Parliament. I will tell you about it, but let me first conclude this part of my contribution on United Airlines.

I quote from the plan:

“How Employee Ownership Affects United Employees”

The employee investment plan—which is the largest of its kind in corporate America—boils down to this: United's pilots, machinists and salaried and management employees will invest wages, benefits and work rule adjustments equal to about \$4.8 billion ...”

No cash. Do you want to hear what they are going to invest? They are not digging into their pockets. They are not going into their savings accounts. They are not drawing from the pension fund. It is from wages. In other words, they will take less wages and the difference will go to share equity participation.

“... benefits and work rule adjustments equal to about \$4.8 billion, generally over the next five to six years.”

They could have offered the workers at BWIA a similar deal and I can guarantee that 100 per cent of them would have accepted the deal, to establish a partnership with the Government, even this corrupt PNM regime.

If the Government had given the workers a majority interest, the workers themselves would have taken the kinds of steps necessary to ensure that that airline turned around. They would have had the greatest interest, as do the people of Trinidad and Tobago. The Government that is supposed to represent the people of Trinidad and Tobago could have been a partner, but it did not consider that, and I want to know why. I suspect why. I want to know who are the beneficiaries of the deal. Those who speak the most I think benefited.

“The three employee groups will make investments that will allow them to purchase a controlling (55 per cent) interest in United. In exchange, current shareholders will receive a package consisting of two parts: common stock and cash (or in the event the underwriting was not completed, a combination of cash, debt securities and preferred stock).”

In this case the shareholder is one, the people of Trinidad and Tobago represented by the Corporation Sole, and it is much easier to execute such an arrangement than the many shareholders who have bought stocks on the US Stock Exchange in this airline, the biggest in the world.

“The investments by the employee groups will be used to purchase at least 55 percent of United stock which will be allocated—in roughly equal

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installments—over five years and nine months to six years. ‘At least’ refers to an escalation clause in the investment plan that allows the percentage of stock held by employees to climb as high as 63 per cent if United stock performance exceeds certain levels over the 12 months following the close of the transaction.”

**10.20 p.m.**

In other words, a tremendous incentive was offered to the workers and the American workers accepted it and they are turning that airline around. Our workers could have done the same thing, but that was not an option considered by people who have some other interest, quite obviously. Quite obviously! And I know the interest of the Member for La Brea because he gets paid large fees for drawing up all these agreements—on his own admission on the public platform.

Let me continue from where the Member for Point Fortin left off. *[Interruption]* I would not take him on at all. I have no time for people who cannot face the population with the truth. The truth is that he is getting very wealthy serving all these divestment transactions as a lawyer when he has a substantive job. *[Interruption]* That is nonsense.

**Mr. Bereaux:** Madam Speaker, on a point of order. I am employed by a company and I am paid a salary. I have done no divestment transaction.

**Mr. J. Humphrey:** I am not taking that as any point of order. I heard the Member on a public platform admitting it. He has admitted it! *[Interruption]*

**Mr. Bereaux:** No, Madam Speaker, please. On a point of order—

**Madam Speaker:** You have made an allegation and the Member is trying to deny it.

**Mr. J. Humphrey:** The Member is not telling this Parliament the truth.

**Mr. Bereaux:** On a point of order, Madam Speaker. No, no.

**Madam Speaker:** Two Members cannot be standing at the same time.

**Mr. J. Humphrey:** I am not giving way to the Member. I would sit for Madam Speaker but not for the Member.

**Mr. Bereaux:** You have to, I am speaking on a point of order.

**Mr. J. Humphrey:** You are not standing on a point of order.

**Madam Speaker:** Gentlemen, I am standing!

**Mr. J. Humphrey:** Sorry.

**Mr. Bereaux:** Madam Speaker, I was speaking on a point of order.

**Madam Speaker:** What is the point of order?

**Mr. Bereaux:** The point of order is, the Member is saying that I have been paid fees for drawing up these transactions, and I am saying that is incorrect.

**Madam Speaker:** Will the Member please take note.

**Mr. J. Humphrey:** He is on record as saying exactly that on a public platform. *[Interruption]*

**Mr. Bereaux:** Where is the record? *[Interruption]*

**Mr. J. Humphrey:** Their friend, Edward Acker. He is a friend of some of them, no doubt about it. I should like to find out who brought him. Who brought Acker this time?

**Dr. Rowley:** I!

**Mr. J. Humphrey:** Do not go and tell the public that, you know; they would eat you raw! Mind you, they would spit you out the first bite, because they would find poisoned meat. *[Laughter]* Madam Speaker, do you see how they get riled when we speak of their close friends, one of their buddies?

**Dr. Rowley:** You gone off, you know.

**Mr. J. Humphrey:** Yes, I gone off. Edward Acker was president of Braniff. *[Interruption]* Madam Speaker, I would like to prove what the Member for La Brea is saying by walking across and letting him feel my white knuckles on his teeth, honest to God. That is how that man riles me.

**Madam Speaker:** I notice within recent times the Member for St. Augustine has been expressing tendencies of violence!

**Mr. J. Humphrey:** Absolutely.

**Madam Speaker:** I would advise the Member for St. Augustine, that the sunset of his years is when a man should learn to maintain his equilibrium and equanimity. *[Interruption]*

**Mr. J. Humphrey:** I am completely balanced, Madam Speaker. I am inviting him to bring two pairs of gloves, let us set up the boxing ring here and let me and the Member for La Brea enter.

**Madam Speaker:** Let us get on with the debate, please. Just a word from someone who is younger, with a philosophy that the sunset of one's life is a time for equanimity.

**Mr. J. Humphrey:** I would rise to the occasion, Madam Speaker. The Almighty would give me the strength that he gave Sampson. Edward Acker! Do you see how they do not want me to—*[Interruption]*

**Madam Speaker:** I am just sharing a little of my spiritual philosophy with the Member. Proceed, please.

**Mr. J. Humphrey:** To be able to survive under this regime one needs much spiritual sustenance. Edward Acker was president of Braniff when a totally one-sided deal was struck with the national airline BWIA in 1973. I have to give a little history of BWIA in 1973.

BWIA, quite rightly—it is on record—was purchased by the Government from BOAC. BWIA, under local management, was modernizing its fleet of aircraft to enable it to serve the Caribbean and to fulfil its mandate. And without a Government guarantee, without a penny from the coffers of the Treasury, BWIA was able to raise the funds to purchase outright three new Boeing 727 aircraft. They were nicknamed in those days, “The Sunjets”. Some of you might recall that name, Sunjets.

BWIA was, in fact, running in the black under local management. Barclay's Bank, as it then was, lent the money to the airline and Texaco guaranteed the loan which enabled the airline to purchase three new aircraft. They then fired the local management—the PNM Government—and they brought in a man named Lucien Hunte, an American, to manage. Suddenly, Lucien Hunte was able to persuade the chairman and the board at BWIA that the 727s were not the right aircraft for BWIA. Yet the 727, in the history of civil aviation, is the most successful aircraft ever designed and built. Boeing produced 1,500 of those aircraft and they are still being used by leading airlines.

Braniff, under this man, Edward Acker, had four pieces of junk—four 707 aircraft that were obsolete, that in two years were to be taken out of the United States' air space because of their level of pollution. They had the old—what were then described as—stove-pipe engines, emitting tremendous pollutants in the atmosphere and the US, conscious in those days of the need to protect the environment, outlawed the use of that type of engine. This man took these four 707s.

In 1977, I quoted from three aviation journals. Just as the Member for Diego Martin quoted today, saying that these were the experts, I quoted from the experts then.

They estimated that the lowest possible value for the 707s on the US market for second-hand aircraft was US \$250 million and the highest was US \$750 million. Those same publications valued—every single one, the same value, because these were new aircraft—at US \$3.5 million, per 727. We had three. Do the mathematics. At \$250 million four aircraft would be \$1 million; at \$3.5 million, three aircraft would be \$10.5 million.

Edward Acker, fleeced us of \$9.5 million in that transaction. And if one wants to be generous to him, \$6.5 million at the highest value, US \$750 million per 707. That is the man they are bringing back here? Do you know that to keep those aeroplanes flying they had to actually cannibalize one to put the parts in another.

All of us here will remember the hulk of a 707 at Piarco where the Fire Service did their practice. It was abandoned on the airstrip and they tried to justify the fact that that plane was no use again as an aeroplane by sending fire fighters to practise with it. Anyone who passed by the Caroni River would have seen all the aircraft engines dumped by the side of the river. What eventually happened to them? They had to be virtually dumped in the La Basse.

### **10.30 p.m.**

That is the man you would bring back here so many years later! He is a misfit. He has no right to set his foot in this country in these deals. Having ripped us off then, the Government would bring him back to rip us off again? And I am the one supposed to be unbalanced! I am the one who all of them say is a mad man! Things like this make me mad like hell, yes; they do! I cannot stand up quietly and see this kind of rip-off taking place in our country with something that I feel proud about.

As a small airline, do you know what it is to have the finest safety record in the whole world? That safety record is as a result of the dedication and service of the workers of the airline, not as a result of any of the Members opposite. These people would sell their mothers for a mess of potage. We would find out sooner or later who is getting the financial benefit from all these deals.

It is certainly not the PNM's position articulated either in the manifesto or by the architect of the manifesto, the Member for Diego Martin Central. It would delight me indeed to justify how I feel on the grounds that I am not balanced. I would really like to be able to express how I feel about these people.

**Madam Speaker:** Why is the Member getting so—

**Mr. J. Humphrey:** Madam Speaker, because my grandchildren will have to pay for it. They are not concerned with theirs because they would be migrating with their millions when it is all over. When it is all over and they have stripped the country clean, they would not stick around. We saw O'Halloran do it. We saw Prevatt do it. Do you think Saith and Julien are any different? I am investigating Julien in a company that he has in Atlanta, Georgia; selling all the aluminium wire to T&TEC for many years and pocketing millions of dollars. *[Interruption]*. Of course, I have been saying it on the platform.

**Madam Speaker:** May I ask the Member to bring the proof, if he has it, when the investigations are finished?

**Mr. J. Humphrey:** When I spoke about O'Halloran they said the same thing. A record is stuck where they are concerned. "Come outside and say it," they said. I said it about O'Halloran and Prevatt a hundred times on the public platform.

**Madam Speaker:** For the moment, can we not have Mr. Julien's name dragged to the ground?

**Mr. J. Humphrey:** What dragging? He has dragged himself, as a national of this country. He is the recipient of a national award, who is ripping off this country. And the Prime Minister puts him back to do more ripping off; puts him in charge of the last remaining resource that is valuable to the people of this country to rip it off, to give it away to his friends abroad. Madam Speaker, I am surprised that you do not get emotional about this.

**Madam Speaker:** My sunset years I maintain my equilibrium and equanimity. I advise the Member to do likewise.

**Mr. J. Humphrey:** I am probably beyond that stage; way beyond the sunset of my years, but I cannot sit idly by and be witness to this. I cannot! A total betrayal of everything for which the Independence Movement stood! I want to know what is the reason for it because their ideas were quite clear and they stated the clarity of those ideas in documents. How all of a sudden they have turned their backs on their own beliefs? How all of a sudden has the vision for this nation changed?

**Dr. Rowley:** In whose eyes? In the eyes of a mad man.

**Mr. J. Humphrey:** In the eyes of all those sitting there. The vision for this country, as far as they are concerned, is bulging pockets. They could not care two hoots about the future well-being of the people.



**Dr. Rowley:** Whose bulging pockets?

**Mr. J. Humphrey:** The bulging pockets of those sitting there. Everything I have said here, I would say on the public platform. In fact, I have been saying it on the public platform.

**Dr. Rowley:** And you have been ignored.

**Mr. J. Humphrey:** Recently, the Government brought this document—*Report on Public Participation in Industrial and Commercial Activities*. It contains the wherewithal of the divestment programme. There is a committee, and I cannot understand how the chairman of that committee can come to this Parliament and witness what went on with this BWIA matter and not, in fact, squirm in his seat. This is not the mad man speaking; this is the very document that the Government had heralded, that it was bringing to this Parliament for so long. On page 34, it says:

“Objectives of the Divestment Programme

The Divestment Programme is intended to achieve the following objectives:

(i) to enhance the domestic climate for investment and private sector activity.

Note the word ‘domestic’ because that has some meaning—not foreign—domestic.

“(ii) to provide increased competition and greater efficiency in the economy

(iii) to promote the widest possible involvement of nationals in investment and share ownership

(iv) to promote the deepening of the domestic capital market”

The local domestic capital market.

“(v) to improve the fiscal and balance of payments accounts over the medium term. In specific instances, the proceeds from divestment will be applied to Government's debt service obligations.”

That is not what the Government is doing—certainly not with the BWIA deal; the T&TEC deal; what it is planning for Flour Mills; not what was done with the Methanol and Urea Companies. What Frank Rampersad was saying, Ken Valley endorsed.

**Dr. Rowley:** Frank who?

**Mr. J. Humphrey:** Madam Speaker, why the Member does not go back to Tobago and let Pam deal with him? Listen to what this so-called White Paper says on page 36:

“(a) Selection of External Consultants:

Competitive bidding is the preferred method for contracting of external consultants. However, Government is of the view that in many instances, given the highly specialized and complex nature of some of these transactions, a selective tendering procedure may be more effective. This procedure will be based on the following:

- (i) the historical relationship and the demonstrated capability of the particular consultant.”

First Boston seems to be experts in everything. We understand—and only time will tell—that the Minister of Finance has already been offered a major portfolio at First Boston.

**Hon. Member:** The Member is spreading rumour.

**Mr. J. Humphrey:** All right, that is a rumour. Only time will tell whether that is so. It goes on:

“(ii) their knowledge of the particular industry.”

First Boston—experts in everything! It goes on:

“(iii) the availability of the consultants.

In the recruitment of consultants, the responsibilities of the Divestment Secretariat include the preparation of the terms of reference and invitation for proposals. It also includes the evaluation of proposals and the preparation and negotiation of contracts.”

**Madam Speaker:** The speaking time of the Member has expired.

*Motion made,* That the hon. Member's speaking time be extended by 30 minutes.

*Question put.*

**Dr. Rowley:** Abstain.

*Question put and agreed to.*

**Mr. J. Humphrey:** I thank the Members on this side, Madam Speaker.

**Mr. Bereaux:** On a point of order, Madam Speaker. I supported the Member's additional 30 minutes; I really want to hear him.

**Mr. J. Humphrey:** Madam Speaker, I thank the Members on this side and that Member on that side. But it would not make me hold back when we get into the ring, you know. Page 41 states:

“(a) Transparency and efficiency.”

How can Jerry Hospedales sit here and stomach what is going on and he is head of the secretariat?

“In order to ensure the highest levels of efficiency and transparency in the divestment process the following steps are taken-

- (i) the use of the competitive bidding process.
- (ii) the use of both local and foreign consultants.

The Table shown on this page summarises the nature of the divestment process utilised in each instance.

In addition to transparency, the use of the competitive bidding process ensures that equal opportunity is afforded to all prospective investors.”

The Member for Couva South made it absolutely clear that it was not equal, there was no level playing field for all potential investors in the BWIA divestment programme. It goes on:

“It also addresses the requirement for maximising the possible returns from divestment. In the case of FERTRIN/TTUC, this approach was complemented by the strategy of divesting the two companies as a package in order to maximise receipts.”

That is what was sold to maximize receipts. If one reads more of this, one would find that far from being transparent, far from being openly competitive, far from having any local consultant involved, apart from their PNM crooked friends who, the instant they came into office, started raking in millions on their contracts—they are not here to defend themselves, but later on they would have to defend themselves in a court of law when this kind of rip-off against the people of Trinidad and Tobago is made a treasonable offence. We would test the involvement of the Members for Diego Martin East, West and Central.

**Dr. Rowley:** Who, we?

**Mr. J. Humphrey:** Madam Speaker, if we—the Government of Trinidad and Tobago after the next election—find any corrupt involvement, we would put you back on the Bench in the appellate court because you are here and witnessing it for yourself.

**10.40 p.m.**

**Dr. Rowley:** Madam Speaker, I want to agree with the Member on those matters, that after the next election, if we find any such things, we would take the action he is advocating.

**Mr. J. Humphrey:** One cannot believe anything he says. They would never take action. No action was taken against O'Halloran. When Interpol communicated with the then Minister of National Security about arresting O'Halloran and bringing him back for trial, the then Government said, "No, leave him there; do not touch him." Right now they could arrest the former Chairman of the party who lives in Costa Rica and who is almost at death's door, for the corruption when he was Chairman of the PNM and Member of Parliament of this country; Member of the Board of Directors of BWIA—a beneficiary of all the corrupt deals that were made.

**Dr. Rowley:** Why did you not charge him? You only have mouth in Parliament?

**Mr. J. Humphrey:** Me? I was there for nine months.

**Dr. Rowley:** You cannot last.

**Mr. J. Humphrey:** Maybe so. But the electorate will have to decide. I have made it clear, Madam Speaker, that if the voters of this country continue to vote according to the traditional pattern, I would certainly not spend the late years of my life wasted in frustration in such a place as this that is absolutely meaningless when it comes to serving the interests of the people!

This measure has absolutely no meaning. All we are doing here is talking, because nothing we say will have the slightest effect; and in fact, I want to repeat something that the Member for Diego Martin Central said earlier. "The deal is not closed," he said. He said that! That is now on parliamentary record. I now want to say, since the deal is not closed, do not go through with it. Tell Edward Acker to get on his jet and go and pick up his young wife and visit several of his houses in North America and stay out of Trinidad and Tobago. [*Interruption*] Yes. And tell the workers of BWIA, that you will treat with them the way the management of United Airlines treated with their people. Proof that they do not know what they are doing.

The Bill that was brought here indicated what the assets of BWIA were to be divested, to be transferred to Acker. No sooner is the Bill put on the Table, than we get an amendment. The L1011-500s and the MD-86 what happened to them? They have to explain that because that is in the Bill as part of the assets. When the Member for Diego Martin East was on his feet, I asked whether the value placed on the airline included those aircraft, because those aircraft were sold and, therefore, are not part of the assets of BWIA—they had been sold, and we were leasing them back. From what I understand, after a certain number of years, they revert to the ownership of the airline, which has not happened yet! So something is very, very wrong with the way this Bill was drafted. They had to move amendments right away.

I am convinced that what is inside the mortar is much more than the pestle. The history of the man they are dealing with, not only of his dealings with Trinidad and Tobago, but with his own country the United States, makes him unfit to be a business partner of the people of Trinidad and Tobago and that is my position as a Member of this side. And we should tell him so in no uncertain terms. Go carefully into his record; go into the transaction that put BWIA in that difficult position with four pieces of junk that they flew a few times and were useless to them afterwards. Go into all that and then tell Ed Acker “Get to hell out of Trinidad and Tobago; you are unfit to be a partner with the people of this country!”

And get into a deal with the workers of BWIA; establish a partnership; enable the workers to take the management and divest the rest of shares held by the Government; not acting as front men for these rip-off artists from the United States, but for the genuine citizens of Trinidad and Tobago. Regrettably, I do not expect that from them.

**Dr. Rowley:** Drink some water, drink some water.

**Mr. Trevor Sudama** (*Oropouche*): Madam Speaker, I rise to raise a few questions, because we have had some contributions from the other side which raised many questions in our minds as to the viability of this arrangement in which we are engaged, this divestment—how we came to the pass we are in today with British West Indian Airways.

More importantly, this transaction is not just about divesting an airline. I think the Government refuses to acknowledge the fact that this is merely an expression of a policy in which they entered, an ideological position, where they have been given certain instructions to divest and to do so as quickly as they could. That has been the perspective from which they have been operating.

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The other thing is that they come here to tell this House that there are no options, that whatever they do is in the best interests of Trinidad and Tobago and there are absolutely no other alternatives available to this country. It shows a frame of mind which informs the policies of the present Government, and that for them time is running out. They have to sell off Trinidad and Tobago as quickly as possible in order to meet some deadline about which we are unaware.

This divestment has to do with our capacity to run anything in Trinidad and Tobago; it has to do with our ability to stand up in the outside world and be able to manage things in a way that would bring benefits to the people of Trinidad and Tobago. I have said in this House already that we understand that we are a small country and that when we are dealing with the outside world we have limited leverage. But we also understand that we have a certain degree of independence and that we ought to maximize benefits accruing to the people of Trinidad and Tobago by our actions and that, certainly we are not left without options. That is the point I wish to emphasize.

If the Government had taken a different route over the years, we would not have reached this point today where we have virtually to beg somebody to take BWIA and in that process, we are undervaluing, our sovereignty, our assets and ourselves as a people. And this is where the PNM Government has brought us over these last 34 years!

The fact that they make such heavy weather of the losses that BWIA has been making over the years must beg the questions: Could those losses have been minimized by a different course of action on the part of the PNM Government? Or, could those losses have been turned around into profit in certain years? Those are the questions.

**10.50 p.m.**

The Member for Pointe-a-Pierre raised certain pertinent issues about why losses were incurred over these years, and those questions have not been answered by anyone on the other side—whether the management and other financial decisions which were taken over the years, by the PNM Government, were in the best interests of Trinidad and Tobago.

We are faced with a cumulative position, where they are arguing that they could not have done anything in the past; that what they did was in the best interest of the people; that there is a certain problem with the airline industry and the way it is working.

I am not arguing here today that BWIA would have made a profit throughout its history—I am not arguing that at all. What we are arguing is: Could the losses have been minimized and could we have carried BWIA with minimal losses or, perhaps, profits in certain years, if the right decisions were made? Also, whether today we would have been in a position to say, “Look here, BWIA serves other strategic interests for the economy of Trinidad and Tobago and, therefore, we will keep it under domestic control.” Would we have been in a position to do that in 1995 if certain decisions were taken in the past and we were able to minimize the losses on this investment? I should like them to address those questions.

Other questions I would like them to address are: If other airlines in Europe and North America have been making losses, why is it that these airlines have been sustained? What was the reason for certain governments making contributions to sustain these airlines? There must have been reasons for that. Were there strategic questions involved as to why these airlines were maintained, despite the fact that they were making losses? I am arguing that if it is a question of losses being made, then those losses could have been minimized, and that is the price we pay for a strategic communication utility.

The Member for Diego Martin Central got up here and talked about their protecting both the strategic interest of the country and the commercial interest. I want to argue here, what is more strategic than to maintain control and influence over a strategic communication utility? What is more strategic than that?

The second point I want to make is: Where they are protecting commercial and strategic interests, when there is a conflict between the commercial interest and the strategic interest, what would be done? I am going to argue that in putting this airline in the hands of Acker, commercial interest is always going to take priority over whatever is strategic interest.

**Mr. Humphrey:** His commercial interest.

**Mr. T. Sudama:** His commercial interest is the commercial interest of the airline, and will take priority over all other interests—governmental interest, the interest of the people of Trinidad and Tobago. Madam Speaker, they are such simpletons. They do not understand that an agreement is made today and that agreement can change tomorrow. They do not understand.

**Mr. Imbert:** How would it change?

**Mr. T. Sudama:** The Member for Diego Martin East has absolutely no idea how these things work.

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They have said that this board will decide. Do you know how the board makes decisions, by and large? A board makes decisions, by and large, on the information provided by the management. Who is the management in this case? It is Ed Acker. So this board will be making decisions on the basis of critical, technical, financial and commercial information provided by one Ed Acker, but they have control. Ed Acker is going to be the Chairman and Chief Executive Officer of the new BWIA. In that position he has enormous influence over directing the course of action that will be taken in future years. This is how they want to bamboozle this country by saying they have foolproof agreement.

I raised the question about the benefits accruing to Trinidad and Tobago with the Tesoro deal. Tesoro had 49 per cent shareholding, a minority shareholding, but they were in control of the management of Trinidad Tesoro and as a result, for an investment of US \$50,000 they filtered billions and billions of dollars from this country from the oil industry through their operations—and the PNM Government was protecting the national interest. It is the same scenario that will be had with Ed Acker. I am going to deal with that a little later.

About the shareholding, they have envisaged that the shareholding of the Government will be 28 per cent eventually. Over a period of time we are going to have 28 per cent. Over a period of time, the private sector shareholding, foreign and local, is going to go up to 46 per cent.

**Mr. Valley:** Come down.

**Mr. T. Sudama:** Come down to 46 per cent. From 25 per cent?

**Mr. Valley:** From 51 per cent.

**Mr. T. Sudama:** From 51 per cent. That is your shareholding, is it not?

**Mr. Valley:** The international shareholders would have 25.5 per cent, the local and regional 25.5 per cent. That is 51 per cent. As the unions buy via the ESOP, 10 per cent, that would have the effect of diluting everyone else's shares so that the 51 per cent, started with, would come to about 46 per cent.

**Mr. T. Sudama:** We are not aware of the nitty gritty details of it. Let us assume it is 46 per cent, what I am arguing here today is that 46 per cent will be primarily under their plan, foreign holdings, because we have a situation and I will tell you what has happened. The majority shareholder of Arcadian is investing, but investing under the guise of a local investor. Where does his interest lie? Is his interest the interest of the people of Trinidad and Tobago? Eventually what is going to happen is that this airline is going to be put under the



dominance of the shareholding while this management is in the grip of foreigners—of Ed Acker. This is what this country is being presented with as soon as this arrangement goes through and we have a few years of the operation of it. This is exactly what will be done.

**11.00 p.m.**

The question is, who protects the interests of Trinidad and Tobago? Given the history of corruption and mismanagement of the PNM, they cannot lay claim to protecting the national interest at all. We have spoken about the issue of transparency in the leading up to this transaction, and the Government has not been transparent in their dealings with respect to how Acker got into this business at all.

How was Acker invited here, on what basis, on what projections? What did the Acker group agree to? The implications for the prospects for the future have been already elaborated on this side—that we could see this airline being in the grip of a corporate raider and will suffer the same fate as those in which Ed Acker was involved in the United States.

I want to raise a number of issues. I am on this issue of whether we, in fact, sorted out all the alternatives. We have been told in this House that all the airlines refused and indicated they had no interest at all in talking about the divestment, or taking a share. The question we have to ask is: Were the airlines that were approached given the same concessions, the same incentives?

Were the airlines approached given the same arrangements, that they were going to wipe the slate clean of the liabilities of BWIA; that they are going to take over no liability; that they were going to get tax concessions; they were going to get an injection of US \$10 million guaranteed by the Government; that they were going to get all the other incentives that were proposed? Were they, in fact, given that, and was there a question of comparing like with like in the proposals?

I have a report here which states that not all the airlines, declined. Some gave out some hope that with further discussions—in fact, I want to ask whether these discussions were held.

In June 1991, Delta Airlines indicated that they were “interested but unable to pursue at the time because of focus on newly acquired Pan American routes. Suggested revisit in 1992.”

In 1992, Delta Airlines indicated they were “interested in alliance if (i) justified by incremental traffic feed and (ii) no upfront cash investment required. Preliminary Delta/BWIA traffic analysis favorable, continue to be interested.”

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The question I want to ask today is: What proposals were pursued with Delta, if Delta in June, 1992 had given an indication that there was an interest and that the preliminary traffic analysis and the co-ordination between Delta and BWIA were favourable?

Lufthansa, in July 1992 said that they were “willing to re-consider” their original decision “in light of change in above policy. Requested updated information.”

US Air had declined in 1991 but in July, 1992 said they were “interested, but currently pre-occupied with BA investment. Requested updated information and will examine BWIA at a later date.”

From the information I have here, it appears that some airlines held out some hope that there could be an arrangement with them.

I quoted from a document issued by First Boston and headed, “BWIA, Privatization Chronology.” In First Boston's Report it was indicated that some airlines were interested and that you had to have further discussions and negotiations. My question is: Were those discussions and negotiations pursued with these relevant airlines? If they were, what, in fact, was the outcome of them? In those discussions, did they offer the same options which they were offering to Acker and his group?

How do we know? Do we merely listen to their say-so? How can we investigate this to understand what has actually happened? We cannot take their word for anything because they speak with forked tongues.

The other question I want to raise is whether the corporate mission of BWIA has changed. Let me summarize some of the points from the corporate mission of BWIA where it is stated that the national airline of Trinidad and Tobago is to be a good, fair and caring employer and corporate citizen of all countries in which it operates. It is also to ensure that it generates a hard currency surplus to at least meet its total hard currency expenditure.

Also, according to the mission, it is to provide at a high quality level of safe, reliable, friendly air service between the islands of Trinidad and Tobago; to provide a high quality of safe, timely, friendly, effective and competitive transportation link between Trinidad and Tobago, and countries within and outside the Caribbean; exploit those resources under its command so as to provide not only profitable airline related and ancillary services in Trinidad and Tobago but also profitable services to the community at large. BWIA must also be a key

contributor to a viable tourism industry in Trinidad and Tobago and the Caribbean where the airline's financial independence is not compromised; and be a generator of national pride in the citizens of Trinidad and Tobago and, indeed, in the citizens of the general Caricom community.

This was their corporate mission. When you privatize BWIA and you go over to an arrangement with Acker and you get Acker and his group to buy into it, would that corporate mission change? If it would, would it change to the detriment of the people of Trinidad and Tobago? I want to argue that. As the Member for St. Augustine has argued, perhaps options were available.

**11.10 p.m.**

Today, I want to question what exactly Acker is bringing into the picture. How much capital is that group bringing in? The Member for Diego Martin Central indicated that the transaction would serve strategic national interest to secure the establishment of an efficient, well-capitalized national flag carrier. Let us deal with the question of well capitalized.

Where is this capital going to come from? As far as I am aware, there is the contribution of US \$10 million as equity. Where is the additional capital coming from for this Acker arrangement in order to get us into the position of being a well-capitalized airline? I would tell you where it will come from; it will come from BWIA itself! Acker and his group are not bringing any more money into this arrangement at all and they have indicated, very clearly, in their conclusion, in the Acker plan which says:

“Assuming a normal ramp-up period to fully realize the cost savings from each of the cost-reduction programmes, operating income of US \$10.5 million before significant revenue enhancements is projected for the first full year post privatization. Projected operating income increase would be US \$10 million even before significant revenue enhancement.

First year operating cash flow after all expenses but before capital expenditure should approximate US \$21 million.”

What Acker is envisaging is that from the operations of the airline itself, without injecting additional funds into it, they are going to find the money to meet capital costs. If that is the case, and they are not bringing in additional money, then was there an alternative for the Government of Trinidad and Tobago?

When First Boston did their inquiry, and made proposals for the restructuring of BWIA, they indicated that there were certain strengths of BWIA. I want to read

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into the records the findings of First Boston to show that those findings are no different from Acker's business plan—absolutely no difference or very little difference. What was important was that those findings were not implemented. That brings us to the questions: Is there a deficiency in our capacity to run things in Trinidad and Tobago? Is there a deficiency of management, and, is what Acker going to bring in really management? Management, but at what cost is what we have to ask here.

The study confirmed that the major problem affecting profitability was revenue yield. However, the airline's gross revenue growth over the period 1984 to 1989 was among the best of the 10 airlines compared, so that some action was being taken to turn around the airline.

“The First Boston study revealed that”

I want Members opposite to carefully understand this:

“(a) employee productivity at BWIA measured in terms of ASMs per employee was on par with British Airways and higher than other carriers such as KLM, Lufthansa, Air Canada and Swissair.”

That is one of the strengths on which one had to build. The employee productivity at BWIA was as good as British Airways and, in fact, was higher than KLM's, Lufthansa and other large carriers.

“(b) When measured in terms of ASMs per employee dollar cost BWIA's productivity was the highest even when compared with giants like American, Delta and United Airlines...”

It is not as if one had nothing to work on. One had productivity levels to work on.

“(c) However, BWIA's costs in two major areas were out of line with its major competitors. Those areas were unit fuel and aircraft maintenance costs.”

It goes on to say that:

“In so far as fuel was concerned the issue was not so much efficiency in use, but rather the relative cost of its acquisition related to the lack of scale economies.”

Lack of scale economies, I assume, to deal with passenger volume and so forth.

“This feature, the size of the airline, combined with the nature of the market is what makes the sourcing of a foreign airline strategic partner critical to realize the economies of scale...”

What was required was a foreign partner.

**Mr. Valley:** Tell John that!

**Mr. T. Sudama:** According to this report—

**Mr. Humphrey:** It speaks of economies of scale, not just any foreign partner! The Member is stupid or what?

**Mr. T. Sudama:** A foreign partner for BWIA to feed into other routes.

**Mr. Humphrey:** Exactly!

**Mr. T. Sudama:** This is what a foreign partner is needed for; to feed into other routes so that there will be available passengers coming in and feeding into the BWIA routes and enhancing the passenger load. That is one of the things that were required. In fact, recommendations were made as to how to approach this.

The other major issue on which BWIA was lagging, was the question of the maintenance cost being significantly higher than its competitors. The primary causes were said to be:

“The extremely conservative maintenance schedules that have been adopted leading to more maintenance activities per flight hour; this situation is being addressed in 1991.”

Secondly:

“Very high cycle generation due to the nature of BWIA's operation in trying to serve many Eastern Caribbean countries with direct service as well as the Domestic Service. The latter is by far the most significant cycle generator.”

What we have heard is that one did not have to get Acker to come in to address this problem. If they wanted to reduce the cycle in the Caribbean, did Acker have to come here to say this? Did BWIA have to get into a partnership with him? This is one of the things responsible for it.

It also says:

“The costly, though effective, Engineering and Maintenance infrastructure that is in place; this being a function of the location of BWIA's main base—far away from similar and associated industries.”

It raises a question: If this is one of the ways that Acker is going to deal with the reduction of maintenance costs, could we eventually see BWIA's main base being removed from Trinidad and Tobago?

It is not a question of looking at this transaction now. We are entering into a transaction which will determine airline communication and a strategic utility in

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this country for a number of years. I am afraid that the lackadaisical and haphazard way in which this Government has gone about this activity gives me the impression—frankly, I was not really minded to speak in this debate—it does not appear to us to matter at all what one says on this side.

**11.20 p.m.**

The Member for St. Augustine talked about the option of getting employees more involved, firstly, in the running and management of the airline, and the success it has had in other countries.

[MR. DEPUTY SPEAKER *in the Chair*]

That has been ignored, treated as if it is a trivial issue, yet the Government is talking about control over strategic interests. A plan was put forward to reduce maintenance costs and to improve the payload and the yield per revenue passenger mile. Our question is: What were the constraints in implementing that plan and relieving the Government of the position of having to sell out BWIA? Nobody wanted BWIA, despite its strengths which were noted by Acker. It had to be given away. Why was this plan not implemented? Was it just a question of management?

If it was a question of management, I want to argue that when Mr. Conrad Aleong was brought to this country, he was putting things in place—this was mentioned and confirmed by the Member for Pointe-a-Pierre—in order to turn around the airline so that there was management expertise available; and if the other things which were required were done, it would have possibly enabled the Government to turn the airline around and put it in a position where the operating losses would have been minimal.

I want to deal with this question of subsidy. There is confusion between the Member for Diego Martin West and the Member for Diego Martin East. The Member for Diego Martin West said that this airline was being put in a viable position; there would be no claim on the Treasury for the operation of BWIA after getting into this divestment arrangement. The Member for Diego Martin East said that the Government would subsidize, but it would determine what routes it would subsidize.

I ask: If the Government is going to determine the routes it would subsidize for strategic or other purposes, where would that money come from? Is it the United States? If the Government is subsidizing various routes and that comes up to a substantial amount, how would that differ from a general subsidy or meeting

the operating losses of BWIA? *[Interruption]* He said that certain routes would be subsidized, if, for example, it would promote tourism.

The point is that if the Government is going to commit itself to meeting operating losses, what is the difference between the commitment in the future and the commitment today? Is it the level of commitment that the Government is concerned with? If it is then tell this country that in order to maintain the airline in a certain way and with a certain capital structure, the Government is committed to subsidizing it up to a certain level. *[Interruption]* The Government would subsidize tourism but not the airline. Let us assume that on a certain route the airline has to incur a loss in order to promote tourism, what would be subsidized?

**Hon. Members:** Tourism.

**Mr. T. Sudama:** Tourism. Would the Government subsidize the airline?

**Hon. Members:** No.

**Mr. T. Sudama:** How would the airline meet its loss on that route? *[Laughter]* Mr. Deputy Speaker, I really cannot proceed with this argument any further. There is total confusion as to whether operating losses would be met and how they would be serviced. I really cannot understand the Government's thinking.

The other point I raise very quickly is that of evaluation. What is really the value of the assets that the Government is handing over to the new BWIA? Is it US \$40 million or \$80 million? What is the nature of the equity that the Government is handing over to new BWIA? If it is US \$40 million, and Acker and his group are putting up \$10 million, then one can understand that they would get a 25 per cent shareholding. If, as the Government has said, the pre-investment value would be \$80 million, and Acker and his group are putting up \$10 million, I expect that their shareholding would be 12.5 per cent.

There is total confusion with this, simply because the transaction is not transparent. The Government has many things to hide with respect to this transaction. What exactly is the Government handing over to the new airline? What liabilities would the Government undertake to meet in this respect?

I have looked at the last BWIA balance sheet dated December 31, 1991. When I look at liabilities, I see a total of current liabilities of \$433,797,000. I see a total long-term debt liability of \$321,779,000, but in the current liability there is an item called unearned transportation revenues of \$126 million. If that is taken out of the picture, there would be current liability of \$307 million and long-term debt

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of \$321 million. From that long-term debt of \$321 million, the sale and lease back loan payable must be taken out, because that is the assets side which also appears on the liability side.

When I add these figures, I am getting a figure of liabilities—in 1991 that may have changed; after I take out the sale and lease back loan payable, because that is a commitment of the Government of Trinidad and Tobago of \$404,611,000. Is it that all the current liabilities and the long-term debt liabilities of BWIA would be met by the Government and would not be transferred to the new BWIA? I do not know. [*Interruption* ]

I am trying to put a figure on it. One cannot do that from reading the Bill. I am trying to put a value on the liabilities which are going to be met by the Government of Trinidad and Tobago. From the information given to us, I cannot decipher exactly what it is and whether the Government is assuming more liabilities than I see on the balance sheet. If so, what is the nature of those additional liabilities?

On the assets side, Acker and his group are putting in only US \$10 million. That is their stake in this. What is the net amount that they are putting into this airline as new investment? I understand that it is much less than US \$10 million. That is all the stake they have. After Acker recoups his investment, what other interests would he have in British West Indian Airways?

**Mr. Deputy Speaker:** The speaking time of the hon. Member has expired.

*Motion made,* That the hon. Member's speaking time be extended by 30 minutes. [*Mr. K. Jurai* ]

*Question put and agreed to.*

**11.30 p.m.**

**Mr. T. Sudama:** [*Noise*] Have you kept your doors and windows open for whoever is waiting for you?

Mr. Deputy Speaker, mention was made of the potential profitability of this airline. I have to read this again into the record. This is all that the Acker group is putting in—US \$10 million—and, as I said, the net amount would be less than that. That will be recouped in no time. After that investment is recouped, what then would be the interest of Acker in promoting this airline? We are dealing with a corporate raider in putting out this prospectus to potential investors which has let the cat out of the bag.



Here is an airline with potential. One has to do certain things to maximize its potential. Why the Government itself could not do that is another question. As I said, they cannot run anything. There is the question of their proneness to corruption and so forth; their proneness to political interference in the running of things and not allowing people to carry out their professional duties without interference. We know about all that, but this bears repeating.

They are selling this company at a discount, at less than the value of its assets as a going concern. Based on the purchase, the details of the confidential memorandum indicate that Acker is getting BWIA for a fraction of its value. The potential investors were advised that based on the purchase of 51 per cent of the common stock of the privatized BWIA for US \$22 million—\$22 million because US \$10 million will purchase 25.5 per cent of the stock—another US \$10 million will purchase 51 per cent, and a base-case forecast of US \$20.6 million of free cash flow in the first year.

Now the free cash flow, obviously, will not be total profits, but a base-case, that is a worst case scenario; US \$20.6 million of free cash flow in the first year is an indicator of profitability, growing to over US \$30 million in year three, at five times free cash flow, the investment would be worth over 3.5 times the cost by year three, which is a 52 per cent per annum increase in value without inclusion of any value for dividends or accumulated cash.

This is the prognosis that Acker has made with respect to this airline. *[Interruption]* But this is a prognosis it has made on recommendation which it had from the First Boston investigation and analysis. Why could they not reduce their maintenance costs? What was their constraint? This is what Acker will do. When one looks at the Acker business plan, there is really nothing new in it at all. Here is what the executive summary of the business plan says:

“(1) assists BWIA management in the implementation of their current operating plan to ensure BWIA's viability prior to divestment.”

All they would do is have the Government take over the liabilities of BWIA and that is how it becomes viable prior to divestment.

“(2) provides the basis for the investment of private capital into BWIA as part of GOTT's plan to divest its shareholding,”

As I have already indicated, the new investment they are bringing in is minimal.

“(3) serves as the operating plan for BWIA post privatization.”

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To do this, it will:

- “1. build upon BWIA's traditional strengths, such as its route rights, and regional market base,
2. create a saleable product by ensuring the airline operates reliably and on time.”

Steps were made under the management of Conrad Aleong in order to do that.

- “3. develop a cost-reduction programme which would ensure sufficient cash flow to meet obligations currently and to allow for a program of capital expenditures to facilitate current operations and future proposed operations with new aircraft,”

but not with additional capital coming in from the Acker group, you know. The capital would be generated from the operation of the airline itself.

- “4. develop revenue enhancements which, when combined with cost reductions, would enable BWIA to generate sufficient cash flow and operating profits to survive and prosper.”

The very same thing that First Boston said is the very same thing that Acker is saying, but Acker has been paid US \$200,000 to say the very same thing. How else can one become viable except by enhancing one's revenue and reducing one's cost? A programme and recommendations were made to do that. The question is: Why did the Government not get involved in implementing the recommendations made?

“The objectives of the Plan are to ensure/provide:

- (1) adequate capital availability upon closing of the privatization;

Where is this adequate capital availability to come from? They have not told us, but they are operating on the basis that this is the best plan in the world, the saviour of BWIA, and going on the basis of Acker's say-so. That is all we have to go on at this time, Acker's say-so, and that is what they are proceeding on.

- “(1) adequate capital availability upon closing of the privatization.”

Where will that come from? Nobody knows.

- “(2) an economic fleet of aircraft to replace the current MD-83 fleet and L1011 fleet.”

What will be the cost of it and where will the money come from? Nobody knows, but we are asked to accept this plan on faith and this is the best deal they could have worked out.

“(3) an economic schedule including substantial feed at both north and south gateways, Europe and throughout the Caribbean.”

Right now Acker operates one small airline in the United States. Where is this substantial passenger feed to come from in order that Acker may make this airline into the viable, profitable airline envisaged?

All that we have here is merely a feasibility study and promises. We have nothing concrete to go on—after we give control of management to Acker—that this plan will work and, if it does work, would make the airline viable and would operate in the national interest.

We have had a number of feasibility studies done. At Point Lisas they did all kinds of feasibility studies and every project, according to these studies would have brought returns to the Government.

[MADAM SPEAKER *in the Chair*]

They would all have been profitable projects. Do you know what has happened at Point Lisas? The majority of the projects have been a drain on the Treasury, have been unprofitable, but they were operating on the basis of the feasibility studies that were done and huge investments were made on the basis of that. We are having the same kind of projections being made by Acker and we are asked to take this on faith. We on this side are saying that we cannot take this on faith.

**11.40 p.m.**

There is much more scrutiny which needs to be done to give us the confidence that this plan the Government is proposing is indeed in the best interest of the country; that this is not a giveaway; that after the investment of US \$10 million into this arrangement, that Acker will have a subsisting interest that will secure us in the future.

Acker is saying that he is going to reduce crew route expense by \$2.5 million.

“A cost reduction program to reduce BWIA operating expenses by 10% from current levels by approximately \$20 million per year, which will be phased in over a 12-month period. The Plan seeks to meet the following targets.

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Reduce US \$Million (000)

1. Crew route expense 2.50
2. Maintenance overhaul expense 1.50
3. "C" Check expenses 1.76
4. Ground handling costs 4.00
5. Catering costs 1.80
6. Corporate overhead .50
7. Agency commission 1.00
8. Marketing costs .60
9. Fuel cost 1.00"

Madam Speaker, anyone can write these things as a plan and offer it to the Government. What guarantee do we have that these cost reductions will, in fact, take place? If they take place, what restructuring of the route schedule would be required to meet these cost reductions?

They will also eliminate the unprofitable route Frankfurt/Zurich and redundant staff. As a result of doing all these things there would be a cost saving of \$21 million per year. They will then be going into a programme of revenue enhancement to include:

- “(a) yield management, through either effective use of current systems in place or purchase of services from the U.S. strategic partner, and decreased reliance on net fares to build load factors;”

Purchase of services from the US strategic partner. Is the US strategic partner Ed. Acker? On what terms are we going to purchase these services from this US strategic partner? Nobody knows about this, Madam Speaker. Then there would be:

- “(b) advertising and promotion, through establishment of an identity and image, positioning as the carrier of the Caribbean, and re-establishment of strong travel agent relationships in North America.”

The question we have to ask is, could all these things have been done by BWIA before divestment? If BWIA could have done all these things: engaged the services of a foreign partner in order to feed into the passenger routes; reduced maintenance costs on its own, as a result of the programme under local

management, the question remains: why was there the need to enter into this arrangement?

We on this side are not convinced that the route taken was the only option available. We are not convinced because we were not given the information to convince us. Secondly, that information required greater scrutiny. Thirdly, we had to analyze what was going on at BWIA during the last few years when a new management was put in place, with the objective of turning around BWIA; the question of the conflict between the Chairman and the Chief Executive Officer; and what implications that had for the viability and the profitability of British West Indian Airways.

If we are going to wipe the slate clean and remove the liabilities from the records and accounts of BWIA, could that have been done with Government's participation, with the workers' participation and with the private sector's participation without the involvement of a foreign partner who has control over the management? Through that control, our strategic interest and our long-term national interest in Trinidad and Tobago, would be subservient to the commercial interest of a foreigner. That is the critical issue.

From all that the Government has told us here this evening, that question has not been addressed and there have been no convincing arguments from the other side that the necessity for going that route was there, the confidence that having divested the airline, we were going to see a bright new future for BWIA which incorporates our interests and also makes the airline viable.

We are not convinced on our side and we cannot support this Bill, simply because we believe there is too much "cat-in-bag" in this Bill. There is too much information which is hidden. There are too many transactions that have not seen the light of day. There are too many arrangements into which they have entered behind the backs of the population and the Parliament. Because of that, this transaction savours of irregularity and will not redound to the best interests of Trinidad and Tobago. We may find ourselves in a situation, within a few years, where BWIA would be no more and we would have to start from scratch.

If Acker decides that the airline would operate from Barbados, that would be the main point of bringing passengers into Trinidad and Tobago or the Caribbean network; it is more profitable to operate from Barbados, because when the tourists come, they offload in Barbados, and from Barbados to Trinidad there are very few passengers on the plane. In order to be commercially profitable they have to go that route.

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How would Trinidad and Tobago passengers who have to take BWIA—and all the other airlines are pulling out—reach to Barbados? What kind of transportation would be available from Trinidad to Barbados in order to avail oneself of a flight from Barbados either to Europe or to North America?

Let us assume that the profitability question is put as a priority, you would understand the inconvenience to which Trinidad and Tobago nationals would be put in order to maintain the viability of this airline.

I recall the Member for San Fernando East coming to this Parliament, week after week, when he was in Opposition and lambasting the then NAR Government saying that “they are a dollars and cents government; all they think about is the bottom line, but the PNM provides government for the people, and one should not look at everything solely in terms dollars and cents. They were making tenants of the people of Trinidad and Tobago in their own country, they were selling out. That is what the Member for San Fernando East told us week after week during the regime of the NAR.

Madam Speaker, they are going in the direction with a vengeance of selling out everything. They have indicated that they have no confidence in the management capability of nationals to run anything in Trinidad and Tobago; that if one needs management, one has to go to the foreigners to get it; if one needs any other kind of expertise, one has to run to the foreigners to get it; that if one needs foreign capital investment, one has to run outside to get it. Whatever it is, we have become so dependent, so re-colonized that I am afraid that the future of this country looks extremely bleak.

**11.50 p.m.**

If it is in the strategic interest of Trinidad and Tobago to maintain control over an airline without putting, eventually, the controlling ownership in the hands of a foreigner, the Government has to decide at what level of subsidy it would guarantee the operation of that, and ensure that efficient management is in place to ensure that level of operation and viability.

Apart from BWIA, the only other airlines servicing Trinidad and Tobago are Air Canada and American Airlines. If those airlines, which operate one service per week, decide not to come to Trinidad and Tobago, if for commercial reasons they have to do away with this route, this country would be left with British West Indian Airways.

If BWIA is given a mandate to be commercially viable, where does that leave Trinidad and Tobago in terms of maintaining the strategic communication with

the outside world? That is a possible scenario that we would face. If there is no airline coming to Trinidad and Tobago, how would someone get to this country? How many stops would a person have to make in order to get here? What kind of service would be available?

The Government signed a paper. It has signed all kinds of papers and agreements in the past. What has been the outcome? People have flouted that and did their own thing. In order to get around these agreements, the Government has had its arm twisted. If this new airline has to change its flight schedule, 40 days' notice must be given.

**Mr. Humphrey:** They have to respond in 40 days.

**Mr. T. Sudama:** If Acker decides that, look here, the route from Trinidad and Tobago as an operating point is not profitable and 40 days' notice is given and they say that they would run to Barbados from Europe and North America, what would the Government do? Would it hire another airline to meet the inadequacy?

**Mr. Sobion:** The operational headquarters cannot be moved.

**Mr. T. Sudama:** One of the problems with the maintenance cost issue is that the operational base is in a place where it cannot easily access spare parts. If Acker decides that the operational base is such that money is being lost because it is in Trinidad and Tobago and in order to be more commercially viable the operational base has to be taken somewhere else, what would the Government do? Would it tell Acker, "no, no, that cannot be done", and Acker says, "Well, if that cannot be done, a viable operation cannot be guaranteed"? What exactly would the Government do?

Would the Government revert to the status quo again? Would it buy out Acker? By that time, Acker would have made his money five times over! His investment is less than US \$10 million. Does the Government not understand this? What is Acker's investment in this airline? The sum of US \$1.5 million.

**Hon. Member:** So what?

**Mr. T. Sudama:** Does the Government think Acker is stupid or dotish as itself? Everybody declined to get involved as a partner in this airline. Acker decided that he would get involved. He decides to get involved not because he loves Trinidad and Tobago, or that he loves the Members for Diego Martin Central and East, but because he sees an opportunity to make money!

**Dr. Rowley:** Every businessman has the same objective.

**Mr. T. Sudama:** If he has to bend and twist the Government's arm on an agreement which was signed he would do that. He would have the Government over a barrel because he is in control of the management. The Government has 51 per cent ownership.

Something has to be changed in this agreement. If we go by this agreement, this airline would not be commercially viable. The Government would not be able to make money. I want to find out what would be done if Acker puts that proposal to the Government. What would be the Government's response to protect the interest of the people of Trinidad and Tobago? No indication has been given. We cannot accept that this arrangement which has been gone into—this golden share and so forth—really protects anybody. Acker is the chairman of the board and he will be providing information on which the board will make decisions. Acker will be in control and the Government would sit there like a figurehead and feel that it has control.

We on this side are saying that this is one of the worst sell-out cases we have witnessed in the history of Trinidad and Tobago. It is something which is symptomatic of the Government and the route along which it is going to send this country. Not only with the state enterprises the Government has run into bankruptcy, but it would run Trinidad and Tobago into economic bankruptcy. More than that, it would run Trinidad and Tobago into human bankruptcy—the bankruptcy of our human skills and expertise. That is the route along which this Government would take us.

Madam Speaker, we cannot support this Bill and we say a loud no to this transaction. Trinidad and Tobago would benefit.

**Mr. Chandresh Sharma (Fyzabad):** Madam Speaker, I congratulate Members on both sides of this House on the long hours we have been spending here today on this debate. Some of us have been here since 10.00 o'clock this morning attending committee meetings, and we are still here. This expresses our commitment to the development of Trinidad and Tobago. It is important that as we continue this debate, we put aside the picong for a while and come to some serious discussions. *[Interruption]*. Madam Speaker, I will not seek your protection so early.

The entire question about divesting here today is close to all our hearts. Trinidad and Tobago has the youngest population in this part of the Caribbean—65 per cent under the age of 35 and a further 30 per cent under the age of 15. So that BWIA means something to all our nationals, moreso the young nationals of our country.



There is tremendous joy in all our hearts—and especially our children—when we take that first plane ride, moreso when that plane is BWIA.

**12.00 midnight**

Today, as we come to debate the BWIA (Vesting) Bill, some questions come to our minds. In recent times, and moreso last Friday when we debated another matter, I made the point that, from my own research, several pieces of legislation which came to this House seemed to be in favour of foreigners; and today, this BWIA (Vesting) Bill, again, seems to be the same; and we shall examine it again.

But before I get there let me say this. We have been talking about the Association of Caribbean States, NAFTA, and the Caricom partners. What is the role of BWIA here? If Trinidad and Tobago is to become the financial and travel hub of the Caribbean, then a national airline owned by the people of this country would have a very significant role to play. It seems as though, with this new development this may not come to pass any more.

With BWIA going into foreign hands, to a large extent, there are going to be losses for Trinidad and Tobago. What kind of losses are we looking at? There must be a culture shock, which was mentioned by the previous speakers. We in Trinidad and Tobago are referred to as the “Rainbow Country”. We celebrate a number of festivals and functions here and we are, indeed, days away from Carnival.

Carnival means a lot to us here in Trinidad and Tobago and in the Caribbean. I play as well. I host one of the largest festivals in Fyzabad—the Member for La Brea attends my functions, mind you. The point I want to make is: how would our nationals coming back to Trinidad for Carnival be treated in this new arrangement? What kind of provisions are being made for them?

Soon after Carnival, we shall be observing Indian Arrival Day. Now, the Member for San Fernando East made the point previously that in 1995 and 1996, moreso in 1996, he proposes to invite all nationals of Trinidad and Tobago living abroad to come to Trinidad, so it means that a national airline which can adjust itself to local needs would be required.

Soon after that we shall be having the Emancipation Day celebrations and, again it is proposed to have some of the larger Emancipation Day celebrations in this country in 1995 and 1996. Would the new BWIA adjust itself to meet the necessary accommodations? We can also look at the celebrations of Eid and Divali which have seasonal traffic, when nationals come to Trinidad and Tobago,

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and the need for airline seats peaks, would the new BWIA be prepared to look at this?

Further, on the question of local inputs. On the airlines that fly from Port of Spain to international destinations, we have a large local input in terms of the food, magazines, maintenance and so forth. What provisions are there at present for that to be continued? My own findings are that those things are going to be reduced to a large extent. But, more important, is the question of job losses. It is crystal clear that a large number of persons, now employed by BWIA, would no longer have jobs in the very near future. What provisions are being made for them?

We have seen where the unions representing the workers are purchasing 15.5 per cent and would go up to 25 per cent. But the number of employees is going to be reduced, so would that be feasible? Later on, I shall show, where in the global scenario, the employees' stock options have not worked out well. On the question of wage cuts for employees who might still be there, we understand that a number of jobs they do now would become contract labour, further reducing the income of our local people.

On the question of the quality of service and standards. Previous speakers have made the point, and have documented it very well, about Acker's low standards; and they have gone on to explain what had happened at Pan American Airlines. We ask the question: What guarantee do we have about the standards we maintain? BWIA over the years has maintained a very high international standard of safety in its total form. The question about safety comes up again.

The question of the price of tickets. At this point our airfares are competitive on the global market. They are quoted in US dollars. What guarantees are we offering our nationals that the price of the tickets would remain, or even if it has to be increased, would be in keeping with global trends? Right now in the United States, for instance, there is a tremendous price war. The airlines are selling well to each other in terms of airfares. We do not enjoy any of those in Trinidad and Tobago, but would any consideration be given to make sure that nationals who have to fly out from time to time would be permitted to get what is considered the advance ticket purchase apex fares?

Madam Speaker, you are aware that a number of our nationals have relatives in the United States, the UK and Canada and from time to time visits are required. There was the recent visit of the Canadian Prime Minister and one of the things discussed was the question of the visa requirement. It must be noted that those

discussions were initiated on this side—it was this Member of Parliament who raised it on more than one occasion, both in this House and with the Ambassador. Let us face it: that has been the history and it is documented in the Parliament right here. Government may have done it at some time. The records will show that it did take place right here. [*Interruption*] It does not matter where.

You see, I started off by saying it is not a question of picong. They do your work and I do mine. They have all the power on that side; they have the money; all the facilities; they are permitted to do a bit more. But the point is that we are also functioning on this side, so it does not matter to whom I spoke. We will come to that later.

The point is that they want to take credit for every single thing. We debated this Bill so far on both sides. They want to say that everything they have said is correct; but everything that is said on this side has no merit. Let us be mature about the discussions in this House because they benefit all of us.

I want to move on to the question of the position of the unions. What is going to happen with the unions now with this new Acker arrangement? We are not told, but the union represents employees at three or four different levels, so we need to know about those things which were not said.

The other matter I want to point out is that privatization did not start in July, 1994. Way back on May 26, 1993 in the *Express* on page 2, the Chairman and CEO of BWIA, Joseph Esau, called for BWIA to be privatized. On whose instructions was Joe Esau then working? Was he projecting the aim of the Government? He went further to say that 60 per cent of it should go to the regional private sector meaning the Caribbean—maybe locals right here for the governments of the Caribbean islands.

Our understanding is that in recent times no effort was made to communicate with the governments of the Caribbean offering them the same package that has been offered to the Acker group. The package indicated that 30 per cent would go to an overseas investor. Also on May 27, again in the *Express*, page 44 : “Top Men to go at BWIA.” Here they are talking about 60 middle-management people to go. BWIA at this time has many skilled workers in every sector of the industry. Our understanding is that no effort has been made to retrain these people for any other jobs.

### **12.10 a.m.**

We do not know where they are going to find work or what arrangement the Government has negotiated with the Acker group to enquire but then we go to

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June 18, 1993 to the *Guardian* on page 1, where we see “Three Foreigners to get Top Positions at BWIA.” Are we saying in 1994 that we were unable to find personnel to work in the airline? I do not want to think that is so.

Our own finding is that there are a lot of highly skilled people to work in the airlines as they have been doing, and with some of the airlines from Trinidad as United Airlines, KLM and American Airlines, going out of business we would find, locals who worked with those airlines could easily fit into the positions at BWIA. But no consideration was given to them.

Earlier I talked about the stock-sharing programme; and what we have found in the United States is that these offers are made to unions and to their employees only when the airlines are facing financial crisis. In good times, very little is offered to the employees but once there is a crisis, all these offers are made to them. Offers are made when companies need to raise capital or to reduce labour costs. Employees' shareholding has generally been at 20 per cent. In the case of Eastern, it was 25 per cent. In the case of Western, it was 10 per cent and in Pan Am it was 30 per cent.

While I am on Pan Am, I must refer to the book *Rapid Descent* written by Barbara Sturken Peterson and James Glab. They had to say this about Acker. It is important for us to record it because the Minister has indicated that the deal has not yet gone through and there might still be some opportunity for negotiation. There should be some opportunity when we leave this Chamber for the Minister and the Government as a whole, to convey to the Acker group, the very valid concerns that were raised here. I refer to page 144:

“Within a week, Ferris and Acker, . . .”

Ferris was with another airline, and here Acker is Ed Acker—

“ . . . in a suite at the Plaza Hotel in New York, . . .”

within two days Acker sold out the entire Pacific Division of Pan Am routes for \$750 million. We are asking the question: Can Acker do the same here? I am sure that was considered in the United States and was protected, but here we have a case where it was sold out for \$750 million and it was done secretly. The Members did not know.

I was in the United States during this period. I recall the strike in Florida with Pan Am where the mechanics went on strike for 28 days, so that the concerns we are expressing here are very important and they require the highest consideration. We have seen in the case of Air France where employees were given an

opportunity to buy into the company. Similarly, in United Airlines. So that there are many cases—very significant and successful ones—where companies in crisis, like BWIA, which are a burden on the national treasury, come together and take care of their problems and go right on to making large profits.

One of the very successful stories coming out of the Asian Tigers is the story of the Sony Corporation where Sony was facing the same situation and it called all its employees together and enquired how they could address the situation. Immediately, they came up with what was called the mini TV that could go around the wrist and became an item on the global shelves. Here, we are faced with the situation where the Government is saying that there were a lot of mismanagement, corruption and wrong practices at BWIA and which have cost us many hundreds and millions of dollars—but there are other state enterprises. We have seen with the National Fisheries where close to \$100 million was spent and it was sold for less than \$10 million at a later point.

**Mr. Valley:** What relationship is that to this?

**Mr. C. Sharma:** It bears a lot of relationship because the PNM has a history, and the Member for Diego Martin West made the point earlier, when he spoke about good business sense. But in establishing good business sense, we have to examine our history. We have to look at what we have done in the past, regardless of how much money this country had. There is always the question of the time at which we indicate the quantum, whatever that might be.

The point is, at one point: we held large sums of money. Today, we have very little to show for it, so if we are going to deal with good business sense, as the calypso which was quoted says, “We cannot go on spending the state's money willy-nilly.

The Member was very emotional, talking about a school in his constituency that is overcrowded. There are many schools like that and I understand his concern. Today, the Member for Diego Martin East talked about the protest outside by residents of central Trinidad, about the lack of water. The point is, we spend large sums of money and state enterprises do not deliver. Then we come to the House with all these fancy stories and try to get away through being emotional or saying, “Look, we have spent close to a billion dollars and we cannot continue.” But why was it continued in the first instance? Why was it allowed to get to \$1 billion?

In this Bill also, BWIA is going to be given, between a seven-year to ten-year tax holiday. We ask the question: Why such a long period? Why between seven and ten years? It is certainly too long a period.

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The other area I want to raise is the question of the sponsorship by BWIA of local charitable organizations and groups. What we find here is that BWIA, being a good corporate citizen, has been sponsoring steelbands, the National Indian Orchestra, swim meetings and so on. Are there any provisions for the continuation of sponsorship under this new arrangement? Certainly, in negotiations with the Acker group, would have been conveyed to them that these are part of the distributions which have been taking place, and it would be important to continue, because they cannot be given a seven-year to ten year tax break with all their debts written off and expect to give nothing in return. It is only fair.

When Members opposite come to the Parliament, they should come here with the entire story. It is important because we need to know. We need to find out if they are given seven to ten years, what we are getting in return. Many of our nationals are going to be dismissed from their jobs; how are they going to be compensated? We have not been told that. We have not been told about the jobs in the future. Would consideration be given to ex-employees, or would the new Acker arrangement allow foreign employees to come here when the jobs could easily be taken up by the locals?

We are not very clear, and for the future it would be important for us to be able to separate. When a person or a group comes in here as an adviser, as in the case of the Acker group, and leaves here now as owner of the company which it came to advise, this amounts to insider trading and is a very poor precedent set by the Government.

In the *Express* dated January 14, on page 8, the Opinion expressed by the newspaper, indicates concern and mixed feelings about the BWIA/Acker deal. It means that many people, meaning the national community of Trinidad and Tobago, are expressing concern about this entire BWIA/Acker deal and the Government has not answered in this House today, or at any time, to remove the fears of nationals. It would be extremely important for that to take place.

**12.20 a.m.**

On October 3, 1993, again, in the *Express*, on page one the headline reads: "Trinidad and Tobago Government to seek approval from the Caricom heads today concerning BWIA." There has been no report since then as to what took place; whether any consideration was given to that. We have been asking the question on this side: What arrangements, if any at all, were entered into, or attempted to be negotiated for BWIA to be owned and operated by the Caricom neighbours and local business people?

We also made the point earlier today, and I want to make it again, that a number of local business houses indicated, on more than one occasion, publicly and privately, that they had no access to information. It raises the whole question about the Government hiding information. The Government indicated a few days ago that it placed certain documents in the library. How are Members to know that the documents are placed in the library? No information is given to us here that there is going to be placed in the library of Parliament “X”, “Y” or “Z.” Nothing is told to us. When the debate begins—

**Madam Speaker:** That is not correct. It was said here in this House the day it was laid that a copy would be placed in the library. Proceed, please.

**Mr. C. Sharma:** Even if that is so, there are many times when documents are sent to the Parliament Library and Members are not notified. I am in this House very often and I have become aware of it. I have gone to the library and sourced information there. This whole question about the responsibility and obligation of the Government to make information available to Members of Parliament and to the national community—certainly there would be confidential information from time to time—they cannot hide under the cloak that everything is confidential and as a result we cannot have access to the information.

Very often we have discovered in debates here that Members opposite would quote from different books and documents to which we have absolutely no access. As you have seen today, both the Member for Diego Martin Central and the Member for Diego Martin East made referrals and had information.

As a young Member, I have observed something and I sometimes wonder why this is so. Very often, in debates of this kind, you would see a large number of “advisers” coming here—certainly with your permission—sitting at the rear there and being able to pass notes back and forth to Members opposite. We do not have that privilege, even during the debates. So very often information that is one hour old, comes to their attention and they can use it to their advantage, and always to our disadvantage, because we cannot refer to it. We do not have access to it; we do not know if it is correct; we do not know the source. That kind of practice is very unfair. *[Interruption]*

It is not a question of getting there. I am certain when we are there and they are here, we would make sure they have the information. All 36 of us are here to represent the entire national community of Trinidad and Tobago. It is not a question of scoring points in debates, or who has been to university and obtained a Ph.D. or who speaks better Oxford English. At the end of the day we all have to

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go back to our constituents who will ask us questions, just like the constituents of Members opposite.

It is very unfair for a Member opposite to indicate that Members here do not represent anybody. That is a childish statement. It is very unfortunate, but it shows the contempt which the Government Members have—and Ministers at that—to make that kind of statement, even if done in picing. The point is, it happens all the time. From the time a Member on this side starts a debate, it is all kinds of picing, some very personal. I am not worried about these things, but it shows the quality; it shows that we need to have mature and responsible people here, who understand that they cannot keep fooling the national community day after day; they cannot get the stories printed in the newspapers that you want, because we still have to answer.

The Member for St. Augustine made the point very clear; his grandchildren have to pay for it. I am endorsing that. I am saying that 33 per cent of the population are under the age of 15. What are we showing these youngsters? What kinds of examples are we setting for them? We are spending large sums of money, yet we cannot supply water today; we cannot supply school places, because of investments like these which have been coming one after the other.

The Member for Diego Martin Central made the point, we cannot go on like that any more. He is correct. But how do we correct it? When we stand here and attempt to debate it, they criticize us. There is no consideration for the Members on this side, who represent the constituents of Trinidad and Tobago, wherever they are, and represent national interests as well. Do they think it is only criticism for the sake of criticism? Is there not constructive criticism as well?

Debates of this kind require very sober and deep reflection. It is now 25 minutes past midnight. Is it the intention of the Government to always come here and at 7.50 p.m., say they want to continue until the end of the debate? Information will come to us; we need to go over it. They have presented new information to this Parliament today. How can we respond to it? We need to do our research. Debates like this must be spread over a day or two. We are prepared to come here tomorrow; we are prepared to come here in the national interest even on Monday.

The Government cannot go on treating Opposition Members in this manner—

**Mr. Bereaux:** Madam Speaker, I would just like to inform the Member that if he continues I would raise the matter under Standing Order 39.



**Mr. C. Sharma:** Madam Speaker, that Member is totally out of place. Standing Order 39 is for you to apply and not the Member for La Brea. This is the point I have been making. It makes it very clear. The Member should read what Standing Order 39 says. He has absolutely no contribution to make here. Does he know what Standing Order 39 says?

**Mr. Bereaux:** He has not read it!

**Mr. C. Sharma:** So that in this BWIA Vesting Bill, there are a number of areas with which we are not happy. It is not because of any personal grouses or conflicts of personality. In the *Express* dated Wednesday, December 7, the headline states: "Local Bid to BWIA." In recent times we have seen the floating of bonds in Trinidad and Tobago and there has been tremendous success in raising those bonds, in one case \$150 million. So that there is local financing available for the purchase of BWIA. The Government has to explore. The point was made in the case of National Fisheries where a local investor was willing to pay much more. I know this is a sore point when it is raised, but the Government has to give due consideration—

**Madam Speaker:** Is that really relevant?

**Mr. C. Sharma:** Madam Speaker, it is extremely relevant, because the Government is saying that there were no local investors for BWIA. I am making the comparison, if the information was made available to the local investors, certainly they could find local investors. National Fisheries is the classic case. The Government sold it to foreigners on the pretext that nobody was available locally. Local investors were willing to pay much more as well, and local fishermen were also going to benefit. It is documented in this Parliament that a local investor was willing to pay a higher price. If that is not so, let the Minister indicate.

In the case of BWIA, we are aware that there are local investors who have said they were not consulted; that information was not made available to them. We have to make sure that we minimize it and stop it immediately.

**12.30 p.m.**

The Member for Couva South made reference to a story written by Ricky Singh: "Warnings and Divestment without regional control." How does this apply to us here?

I made the point about our trying to become the capital city of the Caribbean with the Nafta development, the ACS and so forth. It is important for us to examine, again, all the fine prints of this arrangement with Acker.

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A book has been written indicating the development and global scenario of airlines; the history of Acker—the Member for St. Augustine indicated the purchase of those four 727s where we spent close to \$7 million more. *[Interruption]* It was documented again. Regional control is an important issue.

When I raised the point that local people were interested, the Member for Diego Martin West *[Interruption]* I refer the Member to the *Daily Express* dated December 29, 1984 on page 7, “Big local firms shun Acker deal.” Why, if there is money to be made?

I must mention that the largest legal industry in the world today is the airline industry; billions of dollars connected to tourism by extension. *[Interruption]* I will tell the Member where I got my information from. *[Interruption]* If it is incorrect then the Member can tell me which industry is the largest in the world; document it as well. The Member cannot sit there and say this is wrong without saying what is correct. *[Interruption]*

**Dr. Rowley:** The oil industry is the largest.

**Mr. C. Sharma:** The oil industry is not the largest. Perhaps, the Member does not understand what is largest and which derives the largest income. There is a big difference. Maybe, that is the Member's difficulty.

The point is that the largest single employer, is the airline/tourism industry. Is it also the oil industry? If that is the largest industry, employing the most people, indirectly, it is going to make the largest contribution in terms of income for people.

**Dr. Rowley:** That does not follow.

**Mr. C. Sharma:** It follows automatically. If there are 10,000 people employed in the global oil industry, and there are 100,000 people employed globally—

**Dr. Rowley:** Madam Speaker, at this hour of the morning, Caroni (1975) Limited is the largest employer of labour in the country. Does it make the largest contribution to the national economy as compared to the energy sector?

**Mr. C. Sharma:** Madam Speaker, allow me to answer the hon. Member. If 10,000 people work at Caroni (1975) Limited, 10,000 homes are taken care of; indirectly another 50,000 people will be connected. *[Interruption]* It is the same way. If there are 1,000 people employed in the oil industry. So there are arguments for and against.

**Dr. Rowley:** The Member does not know what a logical argument is.

**Mr. C. Sharma:** Madam Speaker, I was on the point: "Big firms shun Acker deal". The question is: Why? These large local firms would have done their investigations and have discovered that Acker is to be avoided.

**Dr. Rowley:** Which newspaper is that?

**Mr. C. Sharma:** This is your paper. Your *Express*. This is the *Express* of December 29, 1984.

The last matter I want to draw attention to is an article in the *Newsday* of December 8, 1995, headlined "One BWIA deal." The Opinion in the *Newsday* is that Government should fully brief taxpayers about the planned divestment of BWIA. Again, there are concerns expressed by large groups in the national community as to what is really happening.

We on this side are not satisfied with the arrangements being made and we ask the Government to reconsider and report to the national community before it concludes any final arrangements with the Acker group.

I trust that all these points raised by Members on this side would be given some consideration, and that the final arrangement would be to the benefit of the people of Trinidad and Tobago.

Thank you, Madam Speaker.

**Mr. Krish Jurai (Nariva) :** Madam Speaker, I rise to make a contribution on this very important Bill before this House today, namely, the BWIA International Airways Limited (Vesting) Bill, 1995.

As you know, this debate started at approximately 2.00 p.m. on Friday, January 20, 1995 and the time is now 12.35 a.m. of Saturday, January 21. One can see that well over ten and a half hours has been spent debating this Bill. It shows clearly that Members, particularly on this side of the House, have a genuine concern about this Bill, more particularly, because of our concern about the plan with which we are not in full agreement. As a result, we have spent long hours trying to convince the other side to, perhaps, re-examine the deal before it is finally sealed. Even at this eleventh hour, I think it is not too late.

I join with Members on this side who share these concerns. I hope that those on the other side who are concerned with finalizing the deal would think again before finally closing the deal.

Thank you very much, Madam Speaker.

**The Minister of Trade and Industry and Minister in the Ministry of Finance (Hon. Kenneth Valley):** Madam Speaker, perhaps I should start in the usual manner and thank Members on this side of the House for participating in the debate. Earlier in the day we heard contributions from Members on the other side, but by late evening, however, the debate really degenerated into castigating persons who are not members of this House. Quite simply, really, I think if persons such as Edward Acker were to be given US \$10 every time his name was called in this House, he would forget about buying BWIA as that would be much more profitable.

I want to stay away from the name-calling. I think when we come to the House we come here to deal with important issues rather than how much income a particular chairman earns or what have you.

As was said here this afternoon, BWIA is an airline which has now been operating for about 55 years and has not been able to turn a profit over that period. More than that, there were, as I mentioned in my opening statement, a number of occasions on which there were attempts at fresh starts; this is just another. We say it is another with a difference because the Government is attempting to come out at this time.

The Member for Oropouche wanted to know whether this was the only option available. As I said earlier, it may not be the only option, but given the circumstances, it is the best option available to us.

#### **12.40 a.m.**

What is critical is not simply reducing maintenance costs. What is more important is having that code—sharing arrangement; that theme at gateways and a champion to drive the process. That is what we were looking for. When the previous government started the initiative in 1991 it was clear that it was looking for a strategic, foreign airline alliance, and it went through the Loeb. Delta seemed interested at one time, and the previous government was getting to the stage of a code sharing with Delta. Delta was not interested in taking an investment in BWIA, but BWIA needed new capital. That is the critical element. There is an airline that needs new capital and the need for a champion to push the process.

Members talked in terms of local divestment. The reality is that the Government found out that the local investors were lukewarm until they felt that there was a plan that was workable. They wanted someone who they felt knew about the airline business. They would have felt comfortable if there was a British

Air. In spite of some of the noise we would find local and regional investors—I feel confident about that—by the closing date.

One has to remember also, that from the first day in 1992, the plan was always that the foreign strategic partner, British Airways, Delta, or Air Canada would be asked to buy equity in the vicinity of 25 or 30 per cent of the new airline. It was always a minority position because, as I said, in order for the Government to maintain the route rights the majority control had to remain within the region. When the Government was successful in getting Acker and the Loeb group to look at BWIA, and to sign the memorandum of understanding, what the Government was doing was arranging a transaction with a lead person and giving him a mandate to put an investors' group together. That is a normal transaction.

The Government told the Acker group further, that they should come on board then—it had set the parameters. The point made by the Member for Oropouche is important. In fact, the work done by the First Boston group allowed us, very quickly with the Acker group to set the parameters, because we had a ball park figure for the airline. The First Boston group had valued the airline at between \$20 million and \$40 million. I am sure that the Member would have seen that in the report.

We knew the parameters and the equity we were looking for from the Acker group. Mr. Acker and his people were supposed to come up with \$3 million of that equity. What was critical was that he had to put the international group together that would come up with \$10 million. BWIA had the mandate, assisted with Acker and this was important, because earlier today, we heard a point being made that Acker was responsible for finding both the international and regional investors. That is not so.

The Acker group was responsible for the international investors; BWIA, with some assistance from the Acker group was responsible for the local and regional investors. That group was supposed to come up with a minimum of \$5 million to a maximum of \$10 million of the equity. That is the transaction.

Anybody who wanted information, as early as July 9, or even before that—the newspapers started to report the transaction. I must admit that while the Government has come to Parliament on many occasions with respect to these divestment transactions, I think that the Government had reached the point where it felt that BWIA was no big deal.

When the Government signed that memorandum of understanding in July, at the time when it was talking about setting up an escrow account, the Government

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had reached its wits with respect to dealing with the BWIA situation. Between then and now, one would believe that we are, in fact, selling the crown jewels as it were, rather than an airline that has never been able to make one cent profit in 55 years. We are hearing talk about giving away BWIA and that Acker is getting a gift.

The Government would be so happy if Mr. Acker is able to make a profit in an airline where so many persons have been unable to do that in so many years. If that is done it means that the Government would then start to receive dividends, and after the tax exempt period, it would start getting taxes from BWIA. You would know that BWIA never paid taxes. Not only that, because it was tax exempt, it was able to do certain things with salaries so that the Inland Revenue Department got a lower amount than it should have obtained by PAYE. That is another story.

As I said earlier, we are of the opinion that we have sufficient protection within the agreement for most, if not all, eventualities. I would just go through them. First of all, I want to talk about the union because an attempt was made to say that the union would not have a say. The agreement provides that for each 10.1 per cent shareholding, an investor is entitled to one director. The unions, given that they are starting with 15.5 per cent shareholding, would be entitled in the first instance, to one director. As they purchase additional shares via the ESOP, they would eventually be entitled to two directors on the board, so that their voice would be heard at board level.

I also want to deal with the issue of the fear which some Members seem to have about what would happen if Mr. Acker tries to raid the airline and go very quickly. The comfort that the Government has is its preference shares which have to come out before common shareholders' so that, simply, that would allow the Government to take back its airline.

Members would see that one of the veto powers that the Government has is with respect to liquidation of the airline, the Government can get back in. It would not want to get back in, but all decisions are made at the margin. When the Government gets to that point, it would determine what it would do. There are no absolutes in the world. We make decisions at the margin. The Government has provided an agreement where it believes that it has that type of protection.

Then, there were those people who like to strike, such as the EIG and the leasing company. I want to assure my colleagues that whenever I do a job they can put their heads on a block that it is well done.

**Mr. Humphrey:** Not my head!

**12.50 a.m.**

**Hon. K. Valley:** One of the conditions of the golden share, in other words, one of the veto powers says that it allows the Government to veto any transaction between new BWIA and any affiliate as hereinafter defined.

So that, if new BWIA is entering into a transaction with an affiliate as hereinafter defined, we can veto that transaction. It allows us a “look-see” to determine that it is above board. The definition of an affiliate is:

- “(1) Any officer or director of New BWIA;
- (2) Any owner of two percent or more of the issued and outstanding common shares.”

So that when AIG buys its 2 per cent or puts \$5 million in new BWIA, AIG becomes an affiliate, so that transaction is blocked. We have a “look-see” with respect to that transaction.

I should like Members to note also that while First Boston is the adviser to the Government and found Acker, when we were about to negotiate this deal, we told First Boston that we felt that they were associated with this too long and that we needed a fresh view on this. We brought in, at expense to the Government, Citicorp on the finance side, and the law firm Skadden, Arps, Slate, Meagher and Flom—you saw the people here this afternoon. They worked for us on Fertrin. They are excellent people. When I am doing a transaction of this nature, I need good people at my side.

The Member for Oropouche asked how we knew that this business plan would work. I do not know why he believes that someone would come up with a business plan and we would just take it and say, “Fine”. We brought in Citicorp to look at the transaction and to advise us what to do to protect our interest. That is my responsibility—to protect the national interest.

I have here a copy of the Citicorp report. I cannot read the whole report, that would be giving away a lot, not to the Parliament, but—I shall say no more. I shall, however, read the summary conclusion of the report. It says:

- “(1) BWIA is difficult to value based on historical performance, due to the lack of positive earnings. If the planned asset and liability transfers were to occur but the airline were to perform in line with history, old BWIA would appear to have an equity value in the range of \$25 to \$30 million.

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- (2) The Acker plan appears aggressive in terms of how much and how soon airline performance can be improved. Using more conservative assumptions, New BWIA would appear to have an equity value in the range of \$65 to \$70 million.
- (3) Given the differences in common equity values and the value of the preference shares as determined by the realized value of the L1011s, the Government of Trinidad and Tobago would appear to be significantly better off financially under the New BWIA scenario.”

This is Citicorp Securities Inc. Report of December 13, 1994. We brought them down to work with us. They worked on the transaction and they helped us with respect to the negotiation of the investment agreement.

The MOU contemplated that we would have preference shares at 6 per cent dividend rate for the excess over book value; in other words, the difference between the market value and the book value. Of course, at 6 per cent preference, the present value of that, the Member is correct, works out to be .30 cents on the dollar. But we went into the negotiations and said, “We do not like that deal.” First of all, we limited the number of preference shares based on book value. The book value of the airline at \$30 million, we were getting \$90.2 million in terms of common equity because we are getting 49 per cent equity to start, and we are getting the rest up to book value in preference shares, that is preference shares, 15-year term to maturity—six per cent dividend rate.

We would be able to convert over 60 per cent of the excess over the book value into common equity and of course, as we go to market—as provided here—in the third year, we can sell those shares. That was a change and I can tell you that I know exactly who briefed the Member for Tobago West. It is an individual, obviously, who was not around in December and was unaware of the negotiations in that period.

Let me see whether there is anything else I need to deal with.

**Mr. Sudama:** Can you clear up the subsidy for BWIA?

**Hon. K. Valley:** The Member for Oropouche seems to be having difficulty in understanding what I consider to be a very simple concept. It is the concept of targetting. The Government is saying that it wants to have BWIA on a commercial basis. At the same time, however, it is saying that tourism is one of its major initiatives, and it knows that it would have to commit funds to market tourism. In doing that, part of the overall initiative may very well be spending money to maintain a route which is otherwise unprofitable, but that is a subsidy to tourism.



In other words, there is no operating loss to BWIA by this finance because it means that is a clear payment for a service by BWIA. To me that is a simple concept.

The other point that needs to be made is the fact that in all of this the “feeding” is extremely important. While at first we were looking for an airline to provide that, we are saying now that here, if we have a champion who, because of his knowledge of the industry, can negotiate that feed for us, so be it. To test this, one of these agreements must be in place before we go forward. So that a condition precedent to the closing of this transaction is that agreement with American Airlines on the feeding on the gateways of Miami and New York.

Of course, as I said, we plan to develop similar agreements with Midlands out of the UK, with Canadian, out of Canada and Taba out of Northern Brazil. That is a critical element.

Whenever we go forward in a transaction as this we must know the risks involved. But, nothing ventured, nothing gained. We believe that we have negotiated an agreement that protects us. We have the agreement and from here on we need to go with God.

**1.00 a.m.**

I do not think that there is anything else I need to respond to. I want to thank all Members for participating in this debate. *[Interruption]* Members have been circulated with some amendments and the Member is asking that they be explained.

On some of the aircraft which are now under lease, ownership cannot be transferred at this time. While new BWIA would have use of the aircraft, the ownership would have to be transferred when old BWIA takes ownership. Only at that time can they transfer ownership. *[Interruption]* They must be. Let me explain this concept.

**Mr. Humphrey:** And what is the value?

**Hon. K. Valley:** I am sure the Member for Oropouche can explain that. When one has a long-term lease, it is capitalized, meaning, that one takes the present value of the asset on the balance sheet. Again, the Member was making the point. On the liabilities would be the remaining future payments under the lease which have to be made. So it is on the balance sheet.

**Mr. Humphrey:** What is the value of those aircraft? Three L1011s and one MD83.

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**Hon. K. Valley:** I would say, that is airline plus their spares, including the engines and so forth, that is what is valued in the main at US \$81 million dollars. The book value, of course, is much lower. *[Interruption]*

This document is in the library, I think it is exhibit G. There is the pro forma showing the expected closing balance sheet on the transaction. The whole document is there and we really would have liked to provide every Member with a copy, but we cannot afford it.

**Hon. Member:** Acker could afford it.

**Hon. K. Valley:** But, there are two copies in the library that we have made available to Members.

Madam Speaker, with these few words, I beg to move.

*Question put and agreed to.*

*Bill accordingly read a second time.*

*Bill committed to a committee of the whole House.*

*House in committee.*

*Clause 1 ordered to stand part of the Bill.*

*Clause 2.*

*Question proposed, That clause 2 stand part of the Bill.*

**Mr. Sobion:** Madam Chairman, I beg to move that clause 2 be amended as follows:

- A. In paragraph (a) of the definition of "undertaking" insert the words "Part A of" immediately before the words "the First Schedule".
- B. In paragraph (b) of the definition of "undertaking" insert the words "Part A of" before the words "the Second Schedule".

*Question put and agreed to.*

*Clause 2, as amended, ordered to stand part of the Bill.*

*Clause 3 ordered to stand part of the Bill.*

*Clause 4.*

*Question proposed, That clause 4 stand part of the Bill.*

**Mr. Sobion:** Madam Chairman, I beg to move that clause 4(1)(a)(iii) be amended by inserting immediately after the word "Director" in line eight, the words "or to any director, officer, clerk or servant".

*Question put and agreed to.*

*Clause 4, as amended, ordered to stand part of the Bill.*

*Clauses 5 to 7 ordered to stand part of the Bill.*

*Clause 8.*

*Question proposed, That clause 8 stand part of the Bill.*

**Mr. Sobion:** Madam Chairman, I beg to move that clause 8 be amended as follows:

Clause 8(2) Delete the words "for the purpose only of completing the transfer of the undertaking to BWIA." beginning in line 3 and continuing in line 4.

It is merely to widen the continuation of BWIA until the Minister revokes the rest of the Act.

*Question put and agreed to.*

*Clause 8, as amended, ordered to stand part of the Bill.*

*Clause 9 ordered to stand part of the Bill.*

### **1.10 a.m.**

*First Schedule.*

*Question proposed, That the First Schedule stand part of the Bill.*

**Mr. Sobion:** I beg to move that the First Schedule be amended as follows:

First Schedule Part A

Introductory words of paragraph  
2

Substitute for the introductory

words of paragraph 2, the following:  
"Subject to the terms and conditions of the Investment Agreement, all those assets appearing in the Final Closing Date Balance Sheet as defined in the Investment Agreement" under the heading "NEW BWIA 1/31/95"."

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Paragraph 2 (a)	Delete and renumber subsequent paragraphs accordingly.
Paragraph 2 (f)	Substitute for the word "SITA", the words "Societe Internationale de Telecommunications Aeronautiques".
Paragraph 2 (h)	Delete.
<u>Part B</u>	Substitute the following: <p style="margin-left: 40px;">"Subject to the terms and conditions of the Investment Agreement, all those assets appearing in the Final Closing Date Balance Sheet under the heading "Eliminations Old BWIA"."</p>

Madam Chairman, the amendments are merely, in the first instance, to expand the introductory words of paragraph 2 to more clearly specify where the assets are listed.

Paragraph 2 is also deleted. That is with reference to the three L1011s and the MD83 aircraft which are on lease and which will be transferred by Order of the Minister when those leases come to an end.

Consequently, the subsequent paragraphs would have to be renumbered, so that (b) would become (a) and so forth.

Paragraph 2(f) is amended by spelling out the reference to "SITA" which appears in the first line of that paragraph.

Paragraph 2(h) is deleted consequent upon the deletion of 2(a) as well. In part B, the introductory words are changed to more clearly identify the assets appearing in the Final Closing Date Balance Sheet.

*Question put and agreed to.*

*First Schedule, as amended, ordered to stand part of the Bill.*

*Second Schedule.*

*Question proposed, That the Second Schedule stand part of the Bill.*

**Mr. Sobion:** Madam Chairman, I beg to move that the Second Schedule be amended as follows:

Second Schedule

Part A

Substitute for the introductory words, the following:

Introductory words of paragraph  
2

“Subject to the terms and conditions of the Investment Agreement, all those liabilities and obligations appearing on the Final Closing Date Balance Sheet as defined in the Investment Agreement under the heading “New BWIA 1/31/95”.”

Substitute the following:

Paragraphs 2 and 3

“(2) The debt due to suppliers of goods and services delivered to or performed for the Corporation forty-five days or less, prior to the appointed day.

(3) The liabilities and obligations to holders of valid passenger and freight transportation coupons that were purchased as the Corporation's posted fares, or distributed in connection with promotional or charitable events.

Delete.

Part B

Introductory words

Insert immediately before paragraph 1, the following:

“Subject to the terms and conditions of the Investment Agreement, those liabilities and obligations appearing in the Final Closing Date Balance Sheet under the column

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“Eliminations Old BWIA”,  
including—

Substitute the following:

Paragraph 8

“8. The debt due to suppliers of goods and services delivered to or performed for the Corporation more than forty-five days prior to the appointed day.”

Insert the following—

Paragraph 9

“9. Actual or contingent liabilities if any, to the employees of the Corporation arising before the appointed day.”

There have been amendments of a similar nature in respect of the introductory words. There have also been amendments to paragraphs (2) and (3) where certain other liabilities are included. In part B, the introductory words are changed and there is an amendment to substitute a new clause 8 and to insert a new liability at clause 9 which would reflect the agreement entered into by the parties.

**Madam Chairman:** In the second column, I see the word “delete”. What is being deleted?

**Mr. Sobion:** Paragraph 4, as it appears in the Bill in the Second Schedule, is being deleted. That relates to the aircraft which are subject to the lease arrangements.

*Question put and agreed to.*

*Second Schedule, as amended, ordered to stand part of the Bill.*

*Question put and agreed to, That the Bill, as amended, be reported to the House.*

*House resumed.*

*Bill reported, with amendment; read the third time and passed.*

*Adjournment*

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**ADJOURNMENT**

**The Minister of Trade and Industry and Minister in the Ministry of Finance (Hon. Kenneth Valley):** Madam Speaker, I beg to move that this House do now adjourn to Friday, January 27, 1995 at 1.30 p.m.; which would be Private Member's Day.

I thank Members again; I am sorry that I had to keep them so late.

*Question put and agreed to.*

*House adjourned accordingly.*

*Adjourned at 1.15 a.m.*