

CARICOM AVIATION IN A HOLDING PATTERN

Dr. Vaman Bajnath

Abstract:

Stakeholders continue to complain about the retrograde state of affairs in the Caribbean Community (Caricom) aviation industry. The leaders seem to be lacking the aspirations to drive change. A Group effort of Caricom Governments, Civil Aviation Authorities and State Air Carriers is urgently needed to revise the current standing, strategize to meet the objectives of the Multilateral Air Service Agreement, or face commercial decay.

Keywords: Caricom Aviation Frustrations, Lethargic Civil Aviation Authorities, Ineffective Airline Management.

Caribbean Community (Caricom) frontrunners seem to be lacking the aggression to drive change. There is the noticeable deficiency in the desire and determination to push the regional aviation industry closer to a common ground with stakeholder grievances. For two decades we heard the perpetual and tireless regional dialogue from the Caricom citizenry demanding reformist actions within regulatory authorities and airlines. Thus far, void of any meaningful exploits, one gets the impression that individuals who are in charge have exhausted their conceptual limits. Furthermore, there are strong links to the activities of the civil aviation authorities and the underlying frustrations faced by airlines and general aviation operators. The outcome is the continued shying away from the region by new entrants, contributing towards a faltering tourism sector.

Additionally, there is the persistent dogma of politics driving the toughening of nationalism rather than a collaborative regional Caricom agenda. The protectionist approach can be perceived as leaders being fearful of the unknown in a freer skies market model. Since 1978, after deregulation in the USA, the global trend is the increases in favourable multilateral air treaties that connect additional destinations across the continental space with an increasing growth in air transport and economies.

However, here in the Caribbean, the thought of national air carriers losing some identity, which is highly probable in an open skies concept, might become worrisome for those who capitalise or subsidize their flag carriers. Despite the hesitation to advance, it is

becoming critically important for an infusion of new ideas to re-invigorate an effective and efficient air infrastructure within the region as business owners are reeling from arrival decline and travellers are becoming increasingly irritated. But why is the same state of affairs rolling over year on year?

We have read for decades about air service agreements, regulatory frameworks, trade agreements, airport tariffs, airline transformation, infrastructure, capital funding and subsidization touted in part or in combination for the blame in deterring air transport growth within the region. The grand theoretical transportation concept, namely the Multi-Lateral Air Service Agreement (MASA) is one measure to counteract the above deterrents. In essence, it is a progressive policy document ratified and blessed by 14 Caricom leaders in 1996.

The Preamble of the document specifically states “Caricom is desirous of creating an air transport regulatory framework which will provide for a more liberal and transparent exchange of commercial route rights within the Caribbean Community in the context of traffic requirements, thereby fostering healthy competition and growth together with quality and economic efficiency in the operation of air transport services.” Also, “having as an objective the creation of such mechanisms as would maximise for Caricom air carriers the economic and social benefits arising from aviation activities to, from and within the Caribbean Community in the context of liberalisation, globalisation and the creation of regional groupings in the international aviation community.”

Although the Agreement is filled with good intentions, the application of its idealistic contents seems to be ignored, consequently contributing to the existing regional dysfunctional circumstances. In 2003 a Flight International article headlined, “Trouble in Paradise.” Foreign carriers were forced to leave the Caribbean region due to the nagging bureaucracy, the old fashioned regulatory bodies, government restrictions and poor airport infrastructure. In spite of the Caricom initiative in 1996 to alleviate the civil service nightmare, air operators and passengers continue to face frustrations.

The reality on the current status of the air transport sector is National Authorities, Regional Institutions and the International Institutions must coordinate the complex processes to operationalize the air transport objectives of the Caribbean region. The synchronization of compounded layers of bureaucracy, and regular mandatory oversights on quality assurance are the backdrops to this highly regulated industry. It is

these institutional alliances that ultimately ensure policy mechanisms are tailored to get the best results, safety being at the top of the agenda. But are these National Civil Aviation Authorities and alternatively a collective Regional Civil Aviation Institutional Group preemptive enough to pursue regional stakeholders repeated demands for regulatory changes from the Supervisory Foreign Oversight Institutions?

A colleague, who is a small airplane operator in Trinidad, recently engaged me in his plight of the delay in receiving approvals from the civil aviation regulatory authority. He said it was due to the multifarious heap of civil aviation compliance articles, the time to comply and availability of regulators. By the way, the genesis of these local regulatory oversight procedures, adapted almost in totality and altered by name changes, emanates from the foreign oversight authorities from developed nations such as Canada, the USA and Europe. My colleague and I both acknowledged that management in the aviation authorities who customarily use, in his coined words on the circumstances, “copy and paste,” merely put together a blend of the ideas from these foreign authorities. The regional agencies are not cognisant of the fact that such wholesome measures are sometimes not entirely applicable to our Caricom region. The amalgams of procedures, sometimes disjointed, ultimately hamper progress.

For instance, the rules that are applicable to large commercial transport aircraft are similarly applied to smaller aircraft transport operators in general aviation. Such is the case of a Boeing 747 with a maximum authorised weight of average 600,000 lbs whose regulations are equally applied to small transport airplane of less than 12,500 lbs in weight. This treatment aggravates the smaller operator's, thus stymying potential growth of their business. We believe air transport should be divided into categories by weight and each category should have its own operating rules modified and sanctioned for the Caricom bloc by our local aviation authorities. This is where the leaders are languishing, while lacking the enthusiasm and creativeness to take charge of our own destiny.

As a matter of rule, the aviation authorities are mostly compliant to the needs of foreign dominant authorities. These regulatory pressures add excessive financial burdens, hinder new players, impede progression and eventually drive airplane operators out of business. Caricom State Air Carriers have persistently reminded us of the strangling regulations that restrict their free movement to strategically plan their business models. Take for instance the recent Red Jet failure which placed the blame squarely on protectionist

governments that make the small Caribbean market difficult for any private carrier to operate into. This is particularly so with any Low Cost Carrier (LCC) which threatens the long-term viability of inefficient Caricom flag carriers.

REDjet, the first and only home-grown Caribbean LCC suffered this faith in 2012. The lengthy processes with obtaining permissions with route approvals became challenging, very time-consuming and expensive for this new and exciting start-up. Initially their route expansions were bogged down by regulatory encounters, proving equally difficult to secure. The airline found itself in jeopardy of maintaining its mandate of providing affordable air transport for Caribbean people. The airline revised their planned launch dates multiple times and eventually the burdening circumstances led to its financial demise in 2012.

There are multitudes of cases from the early 1990s to the present that remind us of the regional deterioration of the air transport industry. We saw the group effort of Caricom leaders ratifying the MASA in 1996, which subsequently the region expected constructive change. In 2003, Leeward Islands Air Transport (LIAT) state owned by the majority shareholder Governments of Barbados, Antigua and Barbuda and St. Vincent and the Grenadines, pleaded to heads from the Organization of Eastern Caribbean States (OECS) that the Civil Aviation Authorities must transition to new authorities. They said then and continue to re-iterate to date, the old rules do not work for them and furthermore, it is too expensive to follow.

We know enough time has passed for the aviation authorities to become creative and reduce the hassles, have less rather than more regulations and customise the procedures and processes for the region. The various Civil Aviation Authorities, inclusive of Jamaica, Barbados, Trinidad and Tobago, Guyana etc. who fall under the regional umbrella, are in charge of their own territories. They are capable of assembling group ideas and present such driving ingenuities to the overriding dominant foreign authorities for approval. All it takes is the desire and perseverance to present the necessary changes within the confines of globally approved safety structures.

Regional registered air carriers who operate into the USA and Europe must conform and comply with the rules and regulations of those states or otherwise be denied entry. Therefore, why are the guidelines forced upon Caricom registered air operators who ply solely intra-regionally become subjected to the same rules and regulations as one who fly

into the USA and Europe? To seek any type of amendments the Local Authorities can demand a hearing from the International Civil Organization (ICAO). This avenue provides the opportunity to lay down the disputes impacting general aviation and airline operators operating strictly within the region.

Airline managers must also share in the blame of the regional discontent as the trails of dissatisfaction with airline management continue in the Caribbean. In September 2016 the latest comes from the St. Vincent Prime Minister threatening to withdraw funding to LIAT. Once again the Board and Management of LIAT have come under fire for failing to meet their strategic objectives as well as service targets. These accusations go way back to 2007 which was highlighted by this author in his doctoral thesis submitted to The University of the West Indies in 2016.

Historically, state owned Caribbean Airlines Limited (CAL) is no better off with its routine turnover of Board and Management appointments. CAL continues to limp along while being propped-up with heavily subsidized financial support from the Government of Trinidad & Tobago since its incarnation from former BWIA

International in 2007. In 2014 during the Parliamentary debate on the status of CAL, the Government stated the losses being suffered by CAL, which they attributed to the 'calamitous merger' with Air Jamaica in 2009, has been hurting the airline ever since. However, in paradox, the Parliamentary Opposition questioned the basis of the Finance Minister's acceptance of the management's position that the airline would break even by 2017. The Opposition voiced and noted for the records they did not support this type of loss trend acceptance and management actions must be questioned.

So who are these people that serve on the Boards and Executive Management of Caricom state regional carriers? Do they come equipped with the determination to add overall value while at the same time be dutiful to seek the taxpayer's interest? And furthermore, do they possess the requisite graduate education, aviation skills and knowledge to hold such positions?

Until very recent, foreign and regional appointees blamed political interference for their vexed departure. The gaps in upper management were then filled by internal promotions, sometimes prompted by some powerful external influence. But too often such appointees lack the visionary capacity and competence to craft and execute proper strategic plans, and make major risk evaluations. The result is the underperformance of the airline,

exercising the “same old,” and the airline basically running on “autopilot.” Alternatively, contracted consultants provided so called “expert knowledge” at exorbitant fees. Seeking own interests, such persons added further decay to the organization, and most times a forced-out or voluntary removal after short tenure.

We note some examples of airlines that at one time were in similar dilemmas as our state regional carriers. With the focus on change management and employing experts with the requisite background to manage such transformation, the following companies have made phenomenal turnarounds. Singapore Airlines, Cathay Pacific in Hong Kong, Emirates Airlines, Gulf Air and Qatar Airways in the Arabian Gulf, nationally owned or subsidized at some point, have all been the essential platforms on which their parent states have built their strategic and economic importance, even in unlikely destinations. The success story of Jet Airways of India stressed the strategic importance of selecting the right human resources by recruiting executives from international airlines with years of industry expertise to bring in different perspectives in management from day one of operations.

Consequently to alleviate the anguishes currently facing the region, we first need to revisit the collaboration of member states, to drive the harmonization process in all the regulated sectors under the Caribbean umbrella. One strategy is to work together within a regional framework to strive for one licence for pilots, engineers, dispatchers, etc. That would make it easy to transfer from say Jamaica to Trinidad under the single market concept on the movement of skills and labour. It is expected that aircraft registration become common so mechanics do not have to re-write exams to perform inspections and repairs on the airplanes that carry differing regional registrations.

State ownership does not necessarily have to imply inefficiency and mismanagement. With proper controls and institutional reforms, focusing on the Boards of Directors and Management, state-owned airlines can be made to operate on commercial principles like any private firm. To avert business decay, Boards and Management should face routine performance evaluations. Failure warrants removal.

The time is upon us to set up a supervisory aviation body within Caricom to deal with the inter-connection of issues and drive collective decision making. This should be a group effort of Governments, Aviation Authorities and Airlines. Form a committee to examine some of the following proposals: Investigate the benefits of Foreign Investment

in airlines within Caricom. Allow Foreign Ownership with restrictions on percentage control. Plan well ahead to safeguard the likelihood of Open Skies Reciprocity in the near future. Ensure Reciprocal Investment opportunities for regional carriers. And finally, it is highly recommended Airline Boards comprise members of different Caribbean islands striving for common objectives.

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About the Author

Vaman Bajnath is a former BWIA Airline Pilot of 35 years, of which 21 years served as Jet Captain on DC9, MD80, L1011-500, and A340-300, flying regularly to Europe, N & S America, & the Caribbean. He holds an Executive Masters of Business Administration and a Doctorate of Business Administration from the University of The West Indies, St. Augustine. Email: bajair1996@gmail.com