



WELCOME/OPENING REMARKS

by

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at

**Loan Agreements Signing Ceremony
for the LIAT (1974) Ltd. Fleet Modernisation Project**

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CDB Conference Centre

Wilkey, Barbados

Good morning and welcome to the Headquarters of the Caribbean Development Bank (CDB).

On July 18, 2013, the Board of Directors of the CDB approved four loans to the Governments of Barbados, Antigua and Barbuda, St. Vincent and the Grenadines, and the Commonwealth of Dominica for on-lending to LIAT (1974) Ltd. (LIAT) and for use in its Fleet Modernisation Project.

We, at the CDB, regard this as an extremely important undertaking as LIAT's aged fleet poses a significant risk to its commercial viability, as well as the socio-economic benefits accruing to regional economies from operation of the airline.

The proposed loans to LIAT's Shareholder Governments from CDB's ordinary capital resources will total USD65.0 million, and represent 61% of the overall project cost. Each Shareholder Government will on-lend the funds to LIAT on the same terms as received from CDB; and LIAT will be responsible for repayments to CDB.

Less than four weeks since the loans were approved, I am extremely pleased that the four Shareholder Governments are participating in this signing ceremony today.

This is significant for a number of reasons.

First, it represents, yet another milestone in CDB's long association with LIAT. Our relationship dates back to 1975, when we funded the purchase of aircraft, spares and equipment to improve its inter-island air service in the Eastern Caribbean.

In the ensuing years, we have provided financing to the tune of USD153.0 million to improve and safeguard the financial viability of LIAT. This signals our strong commitment to LIAT and to the development of intra-regional air transportation.

Second, this ceremony is a reminder that reliable and efficient regional air transportation is an indispensable underpinning of Caribbean development.

As the intra-regional carrier with the widest network, LIAT has been primarily responsible for providing the necessary intra-regional air links for the movement of people and goods.

LIAT's services, therefore, are important for the continued viability and sustainability of the Region's critical industries, including agriculture, tourism and other services. In 2012 alone, LIAT's direct and catalytic impact on the economies that it serves is estimated to have exceeded USD 320 million; and it contributed an estimated USD 63 million or 39% of the average long-stay visitor spend.

Third, even in the midst of large fiscal and debt challenges, the Shareholder Governments have made a commitment to provide additional funding to support LIAT's operations. The presence of representatives from all of these shareholders is, perhaps, the strongest statement of their recognition of LIAT's importance to

this Region and the high priority each has accorded to making LIAT a success story.

CDB, is, therefore, delighted to, once again, step forward and provide support required for LIAT's Fleet Modernisation Project. We anticipate that the modernisation of its current fleet of aircraft, together with ongoing institutional and operational restructuring of the airline, will lead to an overall improvement in the financial performance and operational efficiency of LIAT.

We must all be mindful, though, of the many challenges our Region's air transportation sector faces, including small non-contiguous islands; sparse intra-regional traffic; short routes; and the inevitable lack of economies of scale.

The management and shareholders of LIAT have a responsibility to educate the traveling public about the realities of providing reliable air transport, in this context. In short, the public needs to appreciate that, given these structural realities, stand-alone intra-regional air transportation service is unlikely to deliver on the desire for low-cost air travel.

A possible solution to this dilemma, therefore, is to forge strategic alliances with larger regional and extra-regional carriers. This would enable the achievement of increased economies of scale, cost efficiencies, and shared services.

To facilitate such alliances, an appropriate policy framework and enabling environment will need to be in place. To this end, policy makers will have to revisit the issue of a regional air transport policy. CDB stands ready to provide finance for such an undertaking.

The preparations leading up to today's signing ceremony have involved many people and long hours of work by the staff of LIAT and CDB. I want to express my deep appreciation for their efforts.

It is my sincere hope that this spirit of hard work and partnership will be sustained as we move swiftly and with resolve into the project implementation phase.

In closing, I also want to assure you of CDB's continuing commitment towards transforming LIAT into a strong, and viable operation.

Thank you.