Air Jamaica: end of an era

'The little piece of Jamaica that cries'

FOR 10 years, Gordon 'Butch' Stewart gave Jamaicans a vision of an 'on-time, no-line' airline, confident that in the same way he had built his Sandals hotel chain into the most internationally recognised local brand, he could do the same for Air Jamaica, the national airline.

The colourful, often rocky history of Air Jamaica can be written in tranches before and after the Stewart-led Air Jamaica Acquisition Group (AJAG), which spent US$26.5 million for controlling interest in the ailing airline in 1994.

"Air Jamaica was a priceless national asset and I could foresee the enormous contribution it could make to tourism and the national economy," Stewart, the Sandals Group and Observer chairman, said at the time.

He was right. Under AJAG, the airline would come to symbolise the rebirth of the Jamaican aviation industry and stimulate nationalistic fervour to a level rarely seen. But
it would also be a turbulent journey, pitting detractors and vested interests against the marketing genius of Jamaica’s most successful businessman.

The story of Air Jamaica’s contribution to the economy, on one hand, could be told in soaring figures. At its peak, the airline carried 69 per cent of all persons travelling to Jamaica and 52 per cent of tourists visiting the island.

On the other hand, the figures by themselves could not tell the entire story. The airline lost approximately US$674 million during AJAG’s 10 years of operation, representing an annual average loss of US$67 million.

But after being returned to the Government in December 2004, Air Jamaica’s annual losses jumped by almost three times as much, or more than US$900 million over a five-and-a-half-year period, with a fleet less than half the size of what AJAG had, and with almost none of the cataclysmic problems AJAG had to face.

"We lost much less money modernising and developing a world-class airline. They (the People’s National Party Government) lost far more money destroying an airline," Stewart said in a reflective interview.

"Devious elements in the media ran a relentless campaign demonising AJAG and converted every positive into a negative. But curiously, after the airline was returned to the Government, they hid the significant losses and the full extent of the dreadful performance from the public," he noted.

What could not be hidden, however, was the fact that the airline was like a millstone around the country’s neck. Despite the fervent attachment to Air Jamaica, even the most nationalistic Jamaican knew that the sale of the carrier was inevitable. The question that might never be answered is ‘did it have to come to this?’ And what could possibly explain such a dramatic descent in the airline’s fortunes in that relatively short period of time after 2004? It is indeed an intriguing story.

No one was surprised by the fuss that Jamaicans made when news broke last year that the airline was being sold to Trinidad-owned Caribbean Airlines. On May 27, 2011, Jamaica’s Finance Minister Audley Shaw and his Trinidadian counterpart Winston Dookeran inked the final shareholding agreement. Symbolically, it marked the end of an era for Air Jamaica.

'Ganja bird’

Long before AJAG came into being, Air Jamaica was already the darling of Jamaicans whose pride soared from its first flight on April 1, 1969. But its history was checkered. For many years, the airline was besieged by drug smugglers whose nefarious activities brought it the infamous tag "ganja bird". The planes were being used to ship the illicit
cargo to the United States where they came under tight scrutiny by US customs and the Drug Enforcement Agency. The Americans made it clear that if the fines imposed for the presence of marijuana were not paid, the planes would be seized on US soil.

Mike Fennell of athletics fame and who went to Air Jamaica as president and CEO at the height of the problem, said he had found a serious lack of security in the loading of its ageing planes, in the maintenance operations and in the airport generally.

"That presented many loopholes that allowed people to take advantage of the airline. We spent a lot of time and money tightening up on procedures which, unfortunately, presented more difficulties for passengers," he told an Observer interviewer.

"We had to buy very expensive baggage check machines, maintain them to be able to do detection at the highest levels and introduce checks and balances to ensure that people and systems were not compromised."

Drug-running was only one of the problems. Politicians, their families and connected friends flew wantonly free of cost on Air Jamaica, apparently with little or no thought about the viability of the airline.

**Operation Desert Storm**

The final blow prior to the AJAG acquisition came with 'Operation Desert Storm' in 1990 when Saddam Hussein's Iraq invaded Kuwait. The US put together a coalition that successfully drove Iraq out of Kuwait. But the war also drove up the price of oil, with serious repercussions for Air Jamaica.

Fennell launched a determined but futile search for new capital to refinance the airline. He sought strategic alliances through code-sharing with other airlines, which happily embraced the opportunity as they themselves were in the same predicament. However, it soon became clear that strategic alliances alone could not help and things got progressively worse.

The airline was having a hard time meeting its day-to-day expenses. The Government was unable to provide the required financing, other than guarantees, for the old fleet of aircraft. And there was no money for purchasing new planes or opening up new destinations.

All aspects of the airline's operations, including the critical element of flight schedules, came under pressure. And the only ace the airline seemed to have left was its perfect safety record.
With the airline continuing to bleed red ink, the Government mandated Fennell to prepare the airline for sale. After copious talks with interested parties, including other major airlines from the United States, Canada and Nigeria, there were no takers.

**AJAG steps in**

A group which called itself the Air Jamaica Acquisition Group, or AJAG, was formed to buy the airline. First, the group comprised Peter Rousseau and Ivor Alexander, with a Canadian partner. That collapsed. Then came a John Issa-Hugh Hart initiative but that too collapsed before it could get off the ground.

The wounded 'Love Bird' was now in dire straits and in imminent danger of going out of existence.

It was in this desperate context that, in November 1994, the airline was bought by the Stewart-led AJAG, with the Government retaining 25 per cent ownership.

Wasting no time, Stewart quickly re-imaged the airline, introduced now famous innovations such as on-time no-line schedules, champagne flights and the flying chef; leased new state-of-the-art and fuel-efficient planes and rekindled the pride of the nation in the airline through slick, imaginative marketing.

With enormous national goodwill at his back, Stewart articulated a vision of profitability through service excellence. It was a virtual textbook on how to build an airline and entailed:

* Upgrading the ageing fleet;
* Improving and expanding route structure and service;
* Optimising aircraft utilisation;
* Cost reduction and increased productivity; and
* Making the airline the primary carrier for Jamaica and the Caribbean while establishing it as an international carrier through strategic alliances.

**Stewart's premonition**

Stewart's energy and enthusiasm masked something that only few people in the inner circle knew. He was initially very reluctant to get involved with Air Jamaica. At the time, the Sandals Group was in expansion mode. With new hotels and development of the Observer newspaper, he had a lot on his plate.
In addition, it was well known that the airline was in shambles and its credibility shot. "It was never certain if the aeroplane parked on the runway was yesterday's or today's flight," a regular passenger commented.

Several people, fearing that the airline would disappear, prevailed upon Stewart to buy into Air Jamaica. They include the Moo Youngs and, importantly, Horace Clarke, the late former minister of transport.

Clarke, a likeable minister, told Stewart that if he did not get involved, Air Jamaica would go out of existence. At the same time, he promised that the administration would provide every support it could for the flag carrier.

Stewart, a man driven by nationalism as had been evident in his now famous Save-the-Dollar Initiative a decade before, took Clarke at his word, saying "we felt very comfortable with Mr Clarke's promise and we had, of course, been accustomed to doing big things".

It would mean using his credibility and that of Sandals to power Air Jamaica in the marketplace and among Jamaicans, debts that could never be quantified or repaid. Commenting on that later Stewart would only say: "It was my pleasure."

But Stewart might well have heeded his premonition, because, though he could not know it at the time, a dreadful storm was brewing.

**The horrific Category II**

In May 1995, less than a year after AJAG took control of the airline, the United States Federal Aviation Agency (FAA) downgraded Jamaica to a Category II rating, a measure of the island's air safety operations — which was the responsibility of the Civil Aviation Authority. It hit Air Jamaica with the full force of a hurricane.

"The direct and consequential costs to Air Jamaica due to Category II, which was in effect for over 2 1/2 years, were enormous and horrific," Stewart recalled, noting that PWC estimates had put these costs at over US$250 million.

"With that US$250 million we could have opened more routes to cities like Tokyo, Moscow and other parts of Europe," he lamented.

The Category II blanket over Jamaica led to, among other things:

* image dilution of the airline;

* lost market share in core routes - Miami, New York;

* inability to utilise new aircraft;
* utilisation of uneconomical wet leases with third parties;
* delay in opening a proposed hub and new gateways;
* delay in effecting the Delta Code Share alliance;
* utilising uneconomic third-party maintenance contracts;
* increase in aircraft ownership costs due to inability to access concessionary financing;
* huge operational inefficiencies due to restrictions in take-off and flight capability; and
* management inability to plan and manage generally due to constant setbacks and lack of working capital.

"As a result of Category II, Air Jamaica suffered losses in excess of US$250 million over the first three years (1995-1997), which totally wiped out AJAG's equity and created severe deficiencies in working capital," Stewart recalled.

Although the Category II designation was on the island and not the airline directly, Air Jamaica was held hostage. And it couldn't have come at a worse time. AJAG had started to modernise its fleet and the downgrade all but froze Air Jamaica planes. Four new A310 airbuses were forced to sit on the ground for nearly eight months with the airline paying the lease but unable to fly.

There were days when the aircraft would taxi down the runway at JFK, New York in winter and had to sit up to six hours awaiting permission to take off, because of the FAA restrictions. Sometimes the plane had to return to the terminal to feed the passengers... and face Jamaican wrath.

The airline could not expand its fleet any further. But the team worked overnight to keep the airline in the skies.

"Nobody at the time fully understood the severe implications of Category II," said Allen Chastanet, the vice-president for marketing and sales from 1995 to 2003 and now minister of tourism for St Lucia.

"One of the most devastating impacts was that we were forced to change out our A300 aircraft to new A310s, which were more efficient but extremely more expensive, converting our operations into a very high cost airline almost overnight," he recalled. "At the same time we could not fly them in the way we should."

It came at a time when a feasibility study had shown that Air Jamaica had established itself as the first airline to grab market share from the major US carriers.
Chastanet noted that every time that there was a long weekend in the US, the FAA would call for an inspection, forcing Air Jamaica planes to remain out of US skies for the period.

Although the Category II mess was the immediate responsibility of the Jamaican Government, the fight to get it lifted was left exclusively to Air Jamaica. Completely frustrated by the lack of response, AJAG at one stage threatened to sue the administration for fraud. The Category II designation had been slapped on Jamaica prior to AJAG’s involvement and as a result the airline was frozen. This could not have shown up in a typical due diligence. It was the Government’s responsibility to know that and if they did but said nothing, that would be fraudulent, AJAG argued.

**Joe Kennedy**

The breakthrough came when contact was made with Joe Kennedy, the son of Robert Kennedy and a long-time friend of Stewart. He was aware of what was happening to Air Jamaica through several house visits with Stewart. Kennedy had proposed to his current wife at Stewart’s Rio Chico home at Ocho Rios, and he had assisted as special guest speaker at the launch of the Boston gateway in his popular Massachusetts base.

Kennedy knew that the airline was lurching from crisis to crisis, despite AJAG’s best efforts and he arranged a meeting with Stewart and the chairman of the FAA, opening a critical window to explain the dire straits into which the downgrade had put Air Jamaica. Stewart asked the FAA chairman to release two of the four A310s, cautious not to bite off more than he could chew by asking for all four.

He recalled that it was a tough meeting and he had returned to Chicago a tired man.

"That night I got a call at my hotel from Joe Kennedy to say he had brokered a deal. I thanked him profusely for getting the two aircraft for us. He said to me: 'Two? We got all four aircraft!' I could hardly believe my ears."

Stewart also believed that the Jamaican CAA erred in not taking up the FAA’s offer to help manage its operations, as that would have led to the earlier lifting of the Category II designation, as happened in the case of The Cayman Islands and The Bahamas. In Jamaica’s case it took three costly years.

**A new airline is forged**

Putting the obstacles behind, Stewart’s team decided to forge ahead. Among the achievements they could boast:

* The airline’s excellent safety record was maintained;
* After being re-imaged, it regained credibility as an on-time international carrier of quality;

* The fleet was expanded and improved from nine ageing aircraft to a total of 20 state-of-the-art, well-maintained Airbus aircraft which allowed the airline to boast that it was the newest fleet in the region;

* It won several major international awards, including 'Best Airline Servicing the Caribbean'.

Importantly, the airline was playing a more pivotal role in promoting Jamaica as a preferred destination. It added new gateways in the primary markets in the USA and the UK and focused on a massive improvement in customer service through motivation and training of staff. Big investment in technology led to upgrading of check-in counters and ground equipment.

Improvement and expansion of the route structure was one of the key elements of the new service.

**Jamaican coup at London Heathrow**

Air Jamaica planes flew to such critical tourism marketplaces as Chicago, Los Angeles, Atlanta, Houston, Phoenix, Boston, Miami, Orlando, Fort Lauderdale, Philadelphia, Newark, Toronto and London. This increased the number of passengers carried yearly to 62 per cent, accounting for the majority of the increase in tourism arrivals into Jamaica at the time. In fact, 52 per cent of tourists to the island arrived on Air Jamaica.

The decision to enter into an agreement with Delta Airlines, one of the largest airlines worldwide, for code-sharing and cost-sharing initiatives, was critical to this success.

There was a second priceless initiative. Flying into Heathrow Airport in London was the preferred destination in England for nearly all the world's major airlines. When AJAG landed two slots there it was nothing short of a coup.

"We were all aware that we had achieved a travel industry feat that made us the envy of many other airlines," said Stewart. "We have the former high commissioner to London, Derick Heaven to thank for his invaluable assistance in achieving that."

But Air Jamaica was not given the most convenient slots. The 'Atlantic Limousine' had to arrive in the dead of night. Stewart's team went to work by thinking big. They brought the Heathrow slot committee to Sandals Montego Bay for five days during which they were exposed to Jamaican and Caribbean reality.
The slot committee caught the vision and by the time AJAG had handed back the airline to the Government, Air Jamaica's Heathrow slots were the envy of all airlines. That itself was a feat.

"Considering that we had only 20 planes, we were like the little mouse that roared louder than the lion. And we were heard throughout the world," said Stewart, noting that when the 'flying chef' and 'champagne flights' were pioneered, they triggered debates in airline boardrooms as to whether they too should introduce them.

Stewart applied the same marketing strength to Air Jamaica that he had to Sandals Resorts to make it the Caribbean's most powerful brand. Acknowledging that feat, a Cuban minister once told Stewart: "When people think of the Caribbean, they think of Fidel Castro, Bob Marley and Sandals."

A 'bus boy' for the ICIs

While Jamaicans, and commercial interests in particular, were raving over the new Air Jamaica, one special constituency stood out -- a hardy group of mostly Jamaican women, itinerant vendors whom Edward Seaga would rename Informal Commercial Importers, or ICIs, who sold Jamaican goods overseas and bought foreign goods for sale on the popular local 'bend down markets'. Air Jamaica was their 'minibus' in the skies.

But while they were welcomed with open arms, the ICIs proved a handful. They used to elbow other passengers to carry their excess bags and that caused many annoyed passengers to drop Air Jamaica.

The airline's response was to introduce the 'Bus Boy'. On arrival at the Fort Lauderdale Airport in Florida, the ICIs were met at the front with their famous boxes and checked in at curbside. That solved the problem and brought back the passengers who had fled the airline.

The MoBay hub

To optimise aircraft utilisation, AJAG created the Montego Bay Hub, which increased Air Jamaica's utilisation rate from below six hours per day to approximately 10 hours per day, regarded as a key performance indicator for sustainable viability.

The hub became the catalyst for significantly increasing major international airlift, which facilitated the development and growth of the tourism industry. It is believed that had Air Jamaica continued on its path, other developments, such as Harmony Cove, would by now have been a reality.
Crucially, the hub linked all the English-speaking Caribbean islands, achieving a dream of long-standing supporters of the Caribbean Community (Caricom) to have a truly regional airline.

But the hub, like so many other aspects of Air Jamaica under AJAG, was not without its problems.

Chastanet said the marketing vision was to cause the hub to be to Montego Bay what the American Airlines hub had been to Miami. It attracted substantial investments through large companies, universities, hospitals, convention centres. Because of non-stop flights to Jamaica through the hub, MoBay was expected to benefit similarly.

"But we tried unsuccessfully to get the Government to set up a freezone in order to attract the big companies to set up their headquarters in MoBay. That would have made the hub more competitive for Air Jamaica and MoBay's economy would have soared at the same time," he said.

He suggested that Air Jamaica would have attracted European and South American airlines to use Jamaica as a stop-off point for distribution through the hub routes.

"It certainly would have allowed the economy to soar and frankly local economists never did the job of trying to assess Air Jamaica's economic impact by keeping a focus on the big picture. It was a very frustrating time for us," said Chastanet.

Operating a hub, Stewart added, was a complex operation that took time to build but its benefits were more radical than one could imagine.

Stewart said that in fairness to then Prime Minister P J Patterson, he understood the hub concept and threw the support of the administration behind it in the early days.

"But I don't think the Government or most of Jamaica fully understood it."

He noted that if Patterson had maintained his support, the Air Jamaica tail would probably have lit up the skies in as many as 50 gateways, including Vancouver, Moscow, Beijing, Tokyo, and some cities in Africa.

**Flying the Bajan flag**

The hub was also hit by the Category II downgrade of Jamaica which prohibited the Love Bird from flying directly to many gateways from Montego Bay, including Barbados, as that was seen as expanding of the fleet.

To get around that, Stewart called the Barbadian prime minister, Owen Arthur and within minutes had his agreement to allow Air Jamaica to fly the Bajan flag to New York,
through the Eastern Caribbean and to Cayman and Nassau, originating from the hub in Montego Bay.

"We owe a lot to Prime Minister Arthur because without hesitation he said 'yes, it would be an honour to have Air Jamaica fly the Barbadian flag'," Stewart recounted.

The airline was soon dubbed the "engine of growth" for Jamaica, as passenger loads increased from 62 per cent to 69 per cent, the fruit of Air Jamaica's US$10 million spend on promotion and advertising per annum backed up by consistently reliable excellent service.

Massachusetts Institute of Technology

To get independently confirmed figures on Air Jamaica's contribution to the Jamaican economy, Stewart turned to a study by the Boston-based Massachusetts Institute of Technology (MIT) that looked at the 10 years of AJAG, from 1995 to 2004.

John-Paul Clark, Bruno Miller, Robin Riedel, Owen Miller, Praveen Pamidimukkala and Michelangelo Raimondi authored the study which was issued by MIT on November 21, 2006 and focused on the incremental contribution of Air Jamaica to the Jamaican economy by measuring two critical factors:

* the portion of airline revenues that remain in Jamaica by virtue of the wages that are paid to residents of Jamaica, and the goods and services that are purchased from companies in Jamaica; and

* the expenditures of foreign visitors.

The researchers suggested that the study represented a conservative estimate of the benefit of Air Jamaica to the Jamaican economy.

"The results of our analysis indicate that the economic benefit of Air Jamaica to Jamaica between 1995 and 2004 was US$5.491 billion, of which US$1.830 billion was a direct incremental contribution to the economy and US$3.661 billion is the corresponding indirect incremental contribution."

Pride in the Diaspora

More difficult to quantify was the impact of the newly polished airline on the Jamaican diaspora. Island pride knew no bounds. Flying on Air Jamaica was part of the culture of coming home for visits. AJAG's philosophy was "reliable, consistent service backed up by promotion, promotion, promotion".

On one memorable occasion, an estimated 650 nationals packed into an event in the United States to announce the flying chef.
"Mr Stewart asked the crowd whether they would want ackee and saltfish or mackerel rundown for breakfast," said a Jamaican who was there. That set off a noisy discussion with some people saying 'ackee and saltfish' and others 'mackerel rundown'. When Mr Stewart said they would have a choice of either on the flights, the room almost exploded with delight."

AJAG drew on everything Jamaican to market and promote the airline. They took Byron Lee and the Dragonaires to the tough Manchester gateway in England where the Jamaicans there had waited 18 years for the 'Dragon'.

"When he struck the first note, the shout that went up could be heard all the way back in Jamaica," Stewart joked. "Manchester would never be same after that."

Byron lee would appear at many other Air Jamaica functions, pulling out Jamaicans with his infectious and nostalgic music. "He was always there for Air Jamaica. All you needed was to ask and he would appear," recalled Stewart.

GraceKennedy boss Douglas Orane was one of the Jamaican corporate giants who frequently attended Air Jamaica events in various US cities himself to promote his money transfer and other products.

Many Jamaicans remember how the airline would take over an entire park in the US to stage its 'Islands in the Park' trade forum to promote Caribbean trade especially among the diaspora.

Lady Sandals, the company yacht, became an ambassador sailing many seas to promote Jamaica. The world domino competition and the Pulpit Exchange linking Jamaican churches with overseas counterparts were introduced during that time.

It became a habit for Air Jamaica to win all kinds of airline awards for its excellent services.

An airline for celebrities

But if Jamaican nationals loved the airline they were not alone. It was soon noticed that Americans and Britons would often fly Air Jamaica as if it were their own national airlines.

The Love Bird became a regular for celebrities from all over the world. American millionaire John Rollins, who bought the Rose Hall Great House, was one.

"He called me one day to say he had just signed with the upscale Ritz Carlton chain to build a hotel at Rose Hall in Jamaica," Stewart recalled. "He said I would like you to know that I got the confidence to sign with Ritz Carlton because of the enormous gateways that Air Jamaica has opened to the world."
The tourism industry was head over heels in love with the national airline. It frequently brought in travel agents in the thousands to promote all the hotels in Jamaica and the Caribbean.

"That was a great time for all of us," said a hotelier who benefited from the visits by travel agents and tour operators. "Air Jamaica was far more than an airline to us."

The lynchpin in that programme was an entity called Air Jamaica Vacations, the tour arm of the airline and a first for Jamaica. Some hoteliers described Air Jamaica Vacations as one of the outstanding successes of the travel industry.

But that too was quickly scuttled.

Jamaican exports, notably perishables, also benefited significantly from Air Jamaica. The new A340s that did the long haul flights to Britain, even after being fully loaded with passengers and their baggage, would still have space to hold 16 tons of cargo. Walkerswood and Busha Browne were notable beneficiaries.

**Easier said than done**

At the same time, however, the airline’s balance sheet under AJAG was showing accumulative losses of US$674 million over the 10-year period, or an annual average loss of US$67 million per annum. These losses, however, had to be seen in the context of the effects of the FAA Category II rating from 1995 to 1997 and the historic 9/11 terrorist attack which caused a dramatic decline in travel and sent most major carriers in the USA to apply for bankruptcy protection under Chapter 11.

The US Government had to provide a financial bail out package of US$19 billion to their airline industry. Air Jamaica did not receive a similar bail out and was forced to weather the storm on its own.

Under new security restrictions, Chastanet recounted, all aircraft had to be fitted with special doors at a cost of US$50,000 each. For two weeks after the 9/11 incident, Air Jamaica planes were grounded in different parts of the world where they had to land. Other airlines received insurance to cover their losses, but not Air Jamaica, he complained.

AJAG said that right after 9/11 the airline had a lot of money in the bank and when the Government offered to assist, the money was turned down on grounds that other areas of the economy were in a more serious plight. Later, when the full impact of the terrorist incident hit and the fallout continued longer than projected, AJAG indicated it would take up the offer but was turned down.
"Maybe it was my fault," admitted Stewart. "Or maybe they misread me. I was trying to be positive in my approach. But when we needed the capitalisation, the response of the finance ministry was as if 9/11 never existed."

In addition to those challenges, Jamaica's tarnished reputation as a tourist destination, because of high levels of crime and violence, was continuing to receive adverse international press coverage, another setback that AJAG could have done without.

**Government nightmare**

Something else was happening that had not made the headlines.

"Partnering Air Jamaica with the Government was a nightmare," Stewart divulged. "They didn't want to do any of the work and they didn't keep their promises. We just kept on doing our work and presuming that the promises would be fulfilled. They never materialised. Our debt-swap agreement reached in 2001 for the Government shareholders to restructure the balance sheet which should have been signed 'next week' was never signed."

Finally, on the day before Christmas Eve, 2004, the nation was shocked to hear the announcement that AJAG had handed back its shares in the airline to the Government and in addition that AJAG would inject further cash of US$20 million to assist the airline in paying its bills and to ensure continuation as the engine of growth for Jamaica.

**Stewart and AJAG had had enough.**

However, back in the hands of the Government, Air Jamaica's new leadership, led by Dr Vin Lawrence, began a major downsizing of the airline in order to reduce the carrier's annual losses. It was a period marked by "a bankruptcy of ideas", according to one industry expert.

Aircraft leases were terminated, bringing the fleet down to seven from 20 aircraft. The AJAG route network was decimated to a mere five routes flying to New York, Philadelphia, Fort Lauderdale, Toronto and Nassau. The 11 USA gateways fell to three. The two UK destinations were reduced to zero and its prized slots at Heathrow Airport in London were sold for what some described as peanuts.

**US$900 million in losses under State control**

Air Jamaica under Government control subsequently incurred losses in excess of US$900 million over the 5 1/2-year period since the administration took back control, representing an annual average loss of US$170 million per annum. And this was by operating only seven aircraft, comparable with AJAG's average losses of US$67 million per annum operating 20 aircraft.
"Lawrence never understood the business and the model being used," one industry insider suggested. "He opted for a foolhardy model to abandon services and downsize when in fact Air Jamaica's entire structure belied the possibility of a low-cost airline."

On reflection, the insider noted, Lawrence should not have been expected to understand the marketplace and the service aspects, hence he quickly scuttled Air Jamaica Vacations which was a vital feed for airline traffic.

"So with all that, plus an open cheque book and propaganda at his command, with no need to disclose the financial catastrophe that was going on, Air Jamaica ended up on the junk heap, losing US$900 million in 5 1/2 years and showing that it is a lot easier to demolish an airline that to build an airline," she said. "All of us agree that to have experimented with Vin Lawrence and his political colleagues was one of the worst mistakes that the Patterson Government made."

**Caribbean Airlines steps in**

Even then, they were unable to stanch the bleeding and the Love Bird faced inevitable extinction.

The Bruce Golding-led Government lost little time in trying to sell the airline. After several failed attempts, Caribbean Airlines bought the little piece of Jamaica that was now crying.

AJAG spokespersons noted that as part of the current sale, the Government had afforded Caribbean Airlines certain tax concessions that the previous administration had not given to Air Jamaica.

"The airline was heavily taxed despite all the adverse conditions under which it was operating. One could say the tax environment was brutal," said an economist who was knowledgeable about the operations.

Stewart, explaining his decision to hand back the airline to the Government, admitted that he had paid a heavy price in time and resources spent on Air Jamaica, at the expense of his other businesses, such as Sandals/Beaches, ATL and the Jamaica Observer.

**If only we had faith in the airline...**

Putting Air Jamaica's history into perspective, Chris Zacca, the president and CEO of the airline during seven of the AJAG years, confirmed that after 2004, the annual losses were nearly three times that of the previous 10 years, when the subsidies which act as a reduction on the balance sheet were added.
"We were operating with US$67 million in annual losses, compared with over US$170 million per year in losses after AJAG handed back the airline. And we were operating with very severe external shocks including the Category II rating which hit us for US$250 million.

"The 9/11 disaster cost us another US$300 million over the next three years. Then there were, of course, the massive increased costs in security measures because people were so afraid to travel," Zacca recalled.

"But there was much that as a team and a country we can be proud of," he added. "We were expanding Jamaica’s face to the world by building a massive flag carrier that was the pride of Jamaica, and we were driving economic activity for tourism and trade.

"Business people were going back and forth as never before. The link we created with the Jamaican diaspora sent up remittances significantly. Now it is the number one foreign exchange earner.

"The pride, the awards, the marketing of Jamaica that boosted love of country that has persisted to today might never be fully quantified."

Drawing lessons from that, Zacca said the decision to sell the airline was inevitably a correct one. He suggested that a government should not run a business such as an airline.

Further, he said: "Sometimes there needs to be a view that it is not the bottomline alone that counts. We have to be able to measure success in several dimensions at a time.

"For example, we should factor in the raising of the Jamaican flag; promoting the brand image of Jamaica; the lifting of cargo; the services afforded to agriculture and exports generally, the trading, the marketing ..."

"I truly believe that if we as a country had shown more faith in the product in 2004, Air Jamaica would still be Jamaica's today," said Zacca.

There is industry consensus that Air Jamaica could have been saved but for the "wild experiments" that the administration took. The PJ Patterson Government should also have done everything in its power to retain AJAG, given its superlative successes under the leadership of Stewart, they suggested.

They bemoaned the fact that Jamaica is left without "a true national carrier" that could be relied on especially in times of crisis, as was the case after the devastating 2004 hurricane when the airline lost an estimated US$50 million helping to ensure Jamaica’s recovery.
No longer does Air Jamaica carry the great profile of Jamaica that needs to be rebuilt. No longer do we have a mighty, mighty force talking up Jamaica exclusively in the international market places," said one industry player whose business suffered after Air Jamaica’s demise.

I still believe in Jamaica, says 'Butch'

Asked to reflect on the period and the loss of the airline, Stewart said his belief in Jamaican genius was hard to shake.

"I still believe that Jamaica has enormous possibilities in every arena. The long-term projects that take hard work and strong leadership are where as a country we fail every time. Air Jamaica falls into that.

"I have no doubt that the multitude of gateways that Air Jamaica flew produced the confidence on which the enormous tourism development that took place rode.

"In 10 years we proved that the AJAG business model was not only workable but worked. Because of short-sightedness, we missed an enormous opportunity but I hope that as a country we can at least learn from these expensive mistakes."

Read more: http://www.jamaicaobserver.com/news/Air-Jamaica--end-of-an-era_9161512#ixzz1RZau0mn3