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Paraguay: State Airline On Verge Of Bankruptcy

by Erika Harding

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On Jan. 29, directors of Paraguay's state-run airline (Lineas Aereas Paraguayas, LAP) told congressional investigators that the company is virtually bankrupt. According to LAP administrators, by June of this year the airline will be operating with a US$1 million per month deficit, and will be strapped to more than US$30 million in outstanding debt. In fact, LAP spokespersons say the company would have shut down already if not for an emergency US$12 million loan from the government. Apparently, excess staff is a central drain on LAP resources. The company, which operates only five planes, employs 1,300 workers, or an average of 260 employees per plane. That is more than the total passenger capacity of each aircraft. As a result, LAP directors and some influential legislators favor LAP's privatization, but a legal appeal by the LAP employees' union has temporarily stalled the sale. Article 11 of the Paraguayan constitution grants civil servants the right to bid for a state-run company before it is offered to the private sector. Meantime, company directors plan to cut back services to slash operating costs. Among other things, LAP will either eliminate or reduce its flights to Madrid, Frankfurt and Brussels, in order to increase service to Miami the only profitable LAP route. (Source: Spanish news service EFE, 01/29/93)

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