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Bolivia's Largest Airline in Crisis

by LADB Staff

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The Bolivian government has been attempting to prevent the closure of the nation's largest airline, Lloyd Aereo Boliviano (LAB) as the carrier has undergone financial, labor, and operations crises, leading it to the verge of bankruptcy. The company has been falling apart, having lost the aircraft it needs to continue providing air service, facing repeated workers' strikes since February, and holding massive debts. Its chief stockholder has made efforts to sell his stake in the company to the airline workers union. Workers have been calling for the state to retake control of the company, though President Evo Morales and Vice President Alvaro Garcia Linera have so far rejected that option.

LAB owner Asbun under corruption investigation Owner Ernesto Asbun has been in negotiations with government mediators during the crisis but has also faced investigations from the country's anticorruption prosecutor's office. He spent February and March trying to negotiate an end to the LAB crisis with an eye to selling his share in it, but by the end of April, prosecutors had jailed the businessman and were preparing a case against him. As of April 28, representatives for Asbun and labor representatives had named an interim general manager, Marcelo Zabalaga, who had been an advisor when the government first began its intervention in the company in February and was chief negotiator with Asbun's executives.

While some workers have called for the nationalization of the company, Vice President Garcia publicly rejected nationalizing the company's US\$180 million of debt. The government believes that amount of money would be better spent on health and social spending and say they will not deal with a badly administrated company. Asbun sought to sell his 50.4% stock holdings to the workers' union for US\$3 million, which seemed to raise the possibility that the conflict with the workers and the management might be resolved. However, executive secretary of the Asociacion de Pilotos del LAB Richard Vaca called the offer "inadmissible," since it came from the manager who had brought the company to the brink of bankruptcy. Pilots unions and other groups are seeking a guarantee of the salaries and the rehiring of 15 officials who they say were unjustly fired between December and January.

Striking workers take over airports in March

Military and police forces took control of Bolivia's major airports on March 31, one day after hundreds of striking airline workers blocked runways and disrupted flights at three airports. The government ordered the intervention to "safeguard the lives and physical safety of Bolivians and avoid an airline accident," said Hector Arce, the vice minister of governmental coordination. LAB employees demanded the company's nationalization and clashed with police at airports on March 30.

The airline's current crisis began in February when its pilots and other workers walked off the job, demanding back wages as well as payment of the carrier's debt to the public pension system.

The company is controlled by foreign investors, with the Bolivian people not the government holding 48% of the shares. The Bolivian portion is held in a trust, managed by foreign financial institutions, which cannot legally be touched by the Bolivian state. The government intervened in the management of the airline, ending February's strike. But new walkouts resumed after the Constitutional Court declared the intervention illegal. LAB canceled all international flights indefinitely. Among the services that ceased was the flight between Bolivia and Spain.

In early April, the company Aerosur began charter flights to Spain with an A-310 with 250-passenger capacity. Aerosur was founded in 1992 with Bolivian funds and had earlier offered international flights to Buenos Aires, Lima, and Miami, along with domestic routes. But aeronautic authorities in Bolivia soon accused Aerosur of conducting "false and deceptive advertising" by claiming it was offering Santa Cruz-Madrid service, when in fact it was only the dealmaker for charter (irregular) flights for the Spanish company Air Plus Comet. Santa Cruz service is particularly important, since it is the nation's most populous city. The cost of international air travel for those entering or leaving Bolivia rose by 7.57% in 2005, according to the Instituto Nacional de Estadísticas (INE).

LAB five planes short of operational General manager Zabalaga said on May 3 that the company needed to recover its operations capacity and liquidity for the company. He said LAB requires the ability to count on the 11 aircraft it had available before the crisis began. Currently it only has six: four in operation and two under repair. Zabalaga's assertion was that the company needed to recover five more planes before it could restore services. Once the company gets its hands on a US\$8 million credit from the private bank Nacional Financiera Boliviana, said Zabalaga, then its plans to recover liquidity and capacity would be underway and "Lloyd may relaunch in the coming months, without a doubt."

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