APIL Resolution No. 35-GA-17, CD1

"Recognizing the need to explore the feasibility of developing of a New Pacific Regional Airline (NPRA) to serve the people of Micronesia via one or a series of connecting hubs, and respectfully requesting the Pacific Asia Travel Association to conduct a feasibility study for the APIL and its member jurisdictions with respect thereto."

WHEREAS, it has long been viewed that there is a dire need for a New Pacific Regional Airline (NPRA) to serve the islands of Micronesia; and

WHEREAS, the new airline would operate within the region to improve international and regional access to Pacific islands, increase schedule services between island destinations, and deliver a much needed boost to Micronesian economies; and

WHEREAS, the new airline would be responsible for serving the needs of the Micronesian communities, significantly improving region-wide access; promoting the development of a profitable route network which would complement existing flights, both international and domestic; capitalize on the growing tourism demand for the region, and facilitate the delivery of multi-destinational travel solutions for the tourism and business sector communities to areas where access is currently restricted; and

WHEREAS, it has been widely thought that the capital investment requirement needed for the purchase and/or lease operation of a new generation of aircraft designed to fly "Long Thin" regional routes, similar to those which dominate the Micronesian territories, is "Cost Prohibitive" for most if not all of the Micronesian islands; and

WHEREAS, this conclusion has resulted in no real attempts to establish a path for the creation of a multi-destinational, independent airline, even though the need for such a carrier has
been widely accepted by all island government authorities; and

WHEREAS, recent global legislation designed to radically improve the security of air transport passengers has called for a significant investment of security procedures and technology at all major airports and international gateways; and

WHEREAS, airports that either decline to supply these services or find the capital investment cost prohibitive to meet current and future standards, e.g., nations that have poor economies or limited access, will not be given future support by the international airline community as, in line with recent ICAO regulations, they will be viewed as a potential “risk” to the airline and passenger safety, and will be blacklisted; and

WHEREAS, with the exception of a minority of destinations in Micronesia, the capacity to satisfy the needs of today’s aviation transport industry does not exist and never will unless economies significantly improve; and

WHEREAS, most Micronesian destinations now depend more and more on tourism for the stability of their economies, but now face an inability to compete on a world tourism stage due to the inability to afford the capital investment needed to meet international security standards which are now being demanded; and

WHEREAS, a detailed audit should be conducted of all Micronesian destinations to ascertain which member entities are able to meet international security standards; and

WHEREAS, this exercise alone will give a clear indication of the specific destinations that are best suited to provide “Hub” connection services for a NPRA; and

WHEREAS, the connecting “Hub or Hubs” will serve two purposes: (1) an operational base for the new regional airline; and (2) a security clearing station for international and regional connecting passengers; and
WHEREAS, a “Security Equipment Audit” essential for the development of a NRPA should be conducted by the Pacific Aviation Safety Office (PASO) and supported in grant form by the EU. Once the audit has been completed, the information contained within the report will act as the basis for a “Business Plan” to be developed to access any additional funding requirements needed to meet and/or improve security screening at these key transit points. Agencies such as the European Investment Bank, the World Bank or the Asia Development Bank, etc., could then be approached on behalf of the Micronesian nations for support of these requirements; and

WHEREAS, once the potential “Hub or Hubs” have been identified by the exercise detailed, we will now have a basis for the development of a profitable route network to serve a NRPA. The framework of the network will be based on the operational capacity of the new generation of aircraft with the proven ability and required licensing to meet the constraint of operating safely in regions with expansive distances between points of origin and destination. These aircraft also offer, for the first time, a reduced seat capacity with an operational “Break Even Point” far less than any equipment currently servicing the region. The reduction in seat capacity and the improved profitability model offered by this new generation of aircraft will also provide the operator with the ability to increase frequency between destinations. It is widely accepted that to operate a successful regional airline model within the Pacific, an airline needs a combination of reduced seat capacity and increased frequency to allow for the creation of a sustainable business plan capable of delivering profits and dividends to the shareholders. This combination is also seen as the catalyst to attracting increased numbers of international visitors who desire airline services that offer flexibility, frequency, affordability and greater regional access; and
WHEREAS, an in-depth study facilitated by an EU grant, should be conducted by one of the recognized “Airport Route Development Specialists” (ARDS). The study will ascertain the most profitable “start up” route combinations and detail future growth and expansion capability for the NRPA. This study will also outline the basis for the development of a business plan designed to attract the necessary investment or satisfy the requirements of the financial community; and

WHEREAS, point “5.0” details the new generation of aircraft now available to profitably serve a region such as Micronesia. Access to this specialized equipment and the capital investment required to “Purchase” and/or ‘Lease” these aircraft have also been identified as prohibitive for the purposes of developing a new “Pacific Owned” regional carrier; and

WHEREAS, there exists today in both the U.S. and Asia, privately owned aviation companies (POACs) that provide a proven airline business solution that meets the development criteria as stipulated in this Resolution. The companies concerned have proven records of establishing either new airline structures or additional “Regional” structures to compliment existing medium and long haul operations where “expertise” in short haul or regional services does not exist; and

WHEREAS, the recognized business model used by the POACs offers the lowest available seat per kilometer (ASK) rates of any regional airline currently in operation. This in turn will provide the maximum potential for profit, greater returns on investment and shareholder dividends; and

WHEREAS, the business can operate either as a “new” company structure or as a “new” business unit contained within an existing airline structure. The company will supply “all” equipment, crew and maintenance facilities as required by its airline client or territory of
operation. These business operations negate the need for excessive capital investment and have
immediate access to the new range of aircraft outlined in this Resolution. The development and
operation of the new carrier will be as follows: (1) the day to day operations of the NRPA will be
the sole responsibility of the POAC; (2) the company shareholding will be divided equally
between the POAC and the various Micronesian governments, with the majority share remaining
with the POAC; (3) all ground handling and airport fees and charges will be incorporated into the
overall operational costs of the airlines so as not to disadvantage any one or more nations; and
(4) all financial obligations pertaining to the NRPA will be the responsibility of the airlines and
not the government shareholders; and

WHEREAS, this will act as the first step in bringing together international experts in
their field, in conjunction with industry and political leaders of Micronesia, to ascertain if the
concept has merit for further study. If so, the creation of a series of resolutions or deliverables
will be identified as a precursor for a future Aviation Transport Forum to report on the findings
of the commissioned reports and explore further the various paths needed to successfully deliver
improved access to the region; now, therefore,

BE IT RESOLVED that the 35th General Assembly of the Association of Pacific Island
Legislatures, Island of Guam, June 1-3, 2016, does hereby recognize the need to explore the
feasibility for the development of a New Pacific Regional Airline (NPRA) to serve Micronesia
via one or a series of connecting hubs; and

BE IT FURTHER RESOLVED that the Pacific Asia Travel Association is respectfully
requested to conduct a feasibility study for the APIL and its member jurisdictions with respect to
the development of a new Pacific Regional Airline (NPRA) to service the islands of Micronesia;
and
BE IT FURTHER RESOLVED that the APIL President shall certify and the APIL Secretary shall attest to the adoption hereof and that copies of the same shall be transmitted to the Chief Executive Officer and the Regional Director for the Pacific of the Pacific Asia Travel Association (PATA), and to the Chief Executives and the Legislative Presiding Officers of each member of the Association of Pacific Island Legislatures.

DULY AND REGULARLY ADOPTED ON THE 3RD DAY OF JUNE, 2016.

KENNETH A. KEDI
PRESIDENT

FERNANDO SCALIEM
SECRETARY