



Association of Pacific Island Legislatures

American Samoa
Commonwealth of the Northern Mariana Islands
FSM, State of Chuuk
FSM, State of Kosrae
FSM, State of Pohnpei
FSM, State of Yap
Island of Guam
Republic of Kiribati
Republic of the Marshall Islands
Republic of Nauru
Republic of Palau
State of Hawaii

A RESOLUTION

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.”

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

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

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

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

16 **WHEREAS**, this conclusion has resulted in no real attempts to establish a path for the
17 creation of a multi-destinational, independent airline, even though the need for such a carrier has

1 been widely accepted by all island government authorities; and

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

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

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

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

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

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

21 **WHEREAS**, the connecting “Hub or Hubs” will serve two purposes: (1) an operational
22 base for the new regional airline; and (2) a security clearing station for international and regional
23 connecting passengers; and

1 **WHEREAS**, a “Security Equipment Audit” essential for the development of a NRPA
2 should be conducted by the Pacific Aviation Safety Office (PASO) and supported in grant form
3 by the EU. Once the audit has been completed, the information contained within the report will
4 act as the basis for a “Business Plan” to be developed to access any additional funding
5 requirements needed to meet and/or improve security screening at these key transit points.
6 Agencies such as the European Investment Bank, the World Bank or the Asia Development
7 Bank, etc., could then be approached on behalf of the Micronesian nations for support of these
8 requirements; and

9 **WHEREAS**, once the potential “Hub or Hubs” have been identified by the exercise
10 detailed, we will now have a basis for the development of a profitable route network to serve a
11 NRPA. The framework of the network will be based on the operational capacity of the new
12 generation of aircraft with the proven ability and required licensing to meet the constraint of
13 operating safely in regions with expansive distances between points of origin and destination.
14 These aircraft also offer, for the first time, a reduced seat capacity with an operational “Break
15 Even Point” far less than any equipment currently servicing the region. The reduction in seat
16 capacity and the improved profitability model offered by this new generation of aircraft will also
17 provide the operator with the ability to increase frequency between destinations. It is widely
18 accepted that to operate a successful regional airline model within the Pacific, an airline needs a
19 combination of reduced seat capacity and increased frequency to allow for the creation of a
20 sustainable business plan capable of delivering profits and dividends to the shareholders. This
21 combination is also seen as the catalyst to attracting increased numbers of international visitors
22 who desire airline services that offer flexibility, frequency, affordability and greater regional
23 access; and

1 **WHEREAS**, an in-depth study facilitated by an EU grant, should be conducted by one of
2 the recognized “Airport Route Development Specialists” (ARDS). The study will ascertain the
3 most profitable “start up” route combinations and detail future growth and expansion capability
4 for the NRPA. This study will also outline the basis for the development of a business plan
5 designed to attract the necessary investment or satisfy the requirements of the financial
6 community; and

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

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

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

21 **WHEREAS**, the business can operate either as a “new” company structure or as a “new”
22 business unit contained within an existing airline structure. The company will supply “all”
23 equipment, crew and maintenance facilities as required by its airline client or territory of

1 operation. These business operations negate the need for excessive capital investment and have
2 immediate access to the new range of aircraft outlined in this Resolution. The development and
3 operation of the new carrier will be as follows: (1) the day to day operations of the NRPA will be
4 the sole responsibility of the POAC; (2) the company shareholding will be divided equally
5 between the POAC and the various Micronesian governments, with the majority share remaining
6 with the POAC; (3) all ground handling and airport fees and charges will be incorporated into the
7 overall operational costs of the airlines so as not to disadvantage any one or more nations; and
8 (4) all financial obligations pertaining to the NRPA will be the responsibility of the airlines and
9 not the government shareholders; and


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


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

20 **BE IT FURTHER RESOLVED** that the Pacific Asia Travel Association is respectfully
21 requested to conduct a feasibility study for the APIL and its member jurisdictions with respect to
22 the development of a new Pacific Regional Airline (NPRA) to service the islands of Micronesia;
23 and

1 **BE IT FUTHER RESOLVED** that the APIL President shall certify and the APIL
2 Secretary shall attest to the adoption hereof and that copies of the same shall be transmitted to
3 the Chief Executive Officer and the Regional Director for the Pacific of the Pacific Asia Travel
4 Association (PATA), and to the Chief Executives and the Legislative Presiding Officers of each
5 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

