

STANDING COMMITTEE REPORT NO. 19-196

RE: C.R. NO. 19-326/T&C

SUBJECT: APPROVING AND ACCEPTING A GRANT OF
\$800,000 FROM THE PEOPLE'S REPUBLIC OF
CHINA TO SUBSIDIZE AIR NIUGINI

JANUARY 26, 2017

The Honorable Wesley W. Simina
Speaker, Nineteenth Congress
Federated States of Micronesia
Sixth Regular Session, 2017

Dear Mr. Speaker:

Your Committee on Transportation and Communications, to which was referred C.R. No. 19-326, entitled:

"A RESOLUTION APPROVING AND ACCEPTING A GRANT IN THE AMOUNT OF \$800,000 FROM THE GOVERNMENT OF THE PEOPLE'S REPUBLIC OF CHINA TO THE GOVERNMENT OF THE FEDERATED STATES OF MICRONESIA, TO SUBSIDIZE THE NEWLY LAUNCHED AIRLINE BETWEEN THE FEDERATED STATES OF MICRONESIA AND PAPUA NEW GUINEA, INCLUDING ALL THE TERMS AND CONDITIONS OF THE ASSISTANCE.",

begs leave to report as follows:

The intent and purpose of the resolution are expressed in its title.

Public Hearing

Your Committee conducted a public hearing on the resolution on January 24, 2017.

Present at the hearing to testify and to answer questions were the

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following: Secretary of TC&I; Secretary for Foreign Affairs; Assistant Secretary for Civil Aviation; representatives from the Department of Justice; and a representative from the Office of the President.

Your Committee asked the witnesses to provide more information about the proposed grant.

The Secretary of TC&I explained that the \$800,000 grant would provide a subsidy for the new service by Air Niugini through June 2017. The Secretary for Foreign Affairs explained that China has agreed to supply an additional \$800,000 grant by May 2017. The two grants would provide FSM's entire contribution amount of \$1.6 million to subsidize one year of the new air service.

The Assistant Secretary for Civil Aviation provided your Committee with a 19-page PowerPoint handout containing detailed information, including passenger numbers, about the new service provided by Air Niugini. A copy of the handout is attached to this report. The Assistant Secretary explained that they were surprised that the bulk of passengers seemed to be between Pohnpei and Port Moresby rather than to Chuuk. The expectation from Air Niugini's market analysis was that most travelers would be Australian divers traveling to Chuuk.

The Secretary of TC&I and the Secretary for Foreign Affairs explained that talks continue at the highest levels between FSM, PNG, and Japan in an effort to tweak the new flight schedule with the goal of eliminating the need of Japanese travelers to transit through Guam on their way to the FSM.

The Assistant Secretary explained that one benefit of approving the grant to subsidize the service would be that the FSM would then potentially have more input into tweaking the flight schedule. He also explained that the grant would function as a pool of travel money to be tapped by FSM government employees who fly on Air

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Niugini.

Your Committee inquired as to what happens if the money is not exhausted at the end of the year. The Assistant Secretary explained that it was his understanding that the left over money would carry over to the next year.

The Secretary of TC&I explained that should the new service be commercially successful then there would be no need for future subsidies. He also explained that Air Niugini can provide charter flights to and from the FSM and that Palau had now become interested in a similar relationship with Air Niugini due to this feature of the service.

Conclusion

Your Committee on Transportation and Communications is in accord with the intent and purpose of C.R. No. 19-326 and recommends its adoption in the form attached hereto.

Respectfully submitted,

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/s/ Victor V. Gouland
Victor V. Gouland, Chairman

/s/ Robson Romolow
Robson Romolow, Vice Chairman

Alik L. Alik, Member

Isaac V. Figir, Member

Florencio S. Harper, Member

/s/ Esmond Moses
Esmond Moses, Member

/s/ Ferny S. Perman
Ferny S. Perman, Member