

STANDING COMMITTEE REPORT NO. 20-47

RE: C.R. NO. 20-58/T&C

SUBJECT: ACCEPTING A GRANT FROM THE PEOPLE'S
REPUBLIC OF CHINA IN THE AMOUNT OF
\$800,000.

DECEMBER 13, 2017

The Honorable Wesley W. Simina
Speaker, Twentieth Congress
Federated States of Micronesia
Third Special Session, 2017

Dear Speaker:

Your committee on Transportation and Communication to
which was referred C.R. 20-58, 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 SUBSIDIZE THE NEWLY
LAUNCHED AIRLINE BETWEEN THE FSM AND PAPUA NEW
GUINEA, INCLUDING ALL THE TERMS AND CONDITIONS OF
THE ASSISTANCE.",

begs leave to report as follows:

The intent and purpose of this resolution are expressed
in it's title.

Your Committee held a hearing on December 11, 2017. The
witnesses present included the Department of
Transportation, Communications and Infrastructure,
including the Secretary and key staff, and the Office of
the President.

Your Committee heard testimony from TC&I key staff
addressing the outstanding issues with the Air Niugini
flight schedule. They have adjusted their flight
schedule due to a lack of ticket sales for the midweek
flight. They have cancelled that flight due to poor

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ticket sales on this flight and they have reported a loss of \$1,200,000 after 6 months of service. It is anticipated that Air Narita will be starting a midweek flight, but that service will not likely start until mid 2018 at the earliest. Your Committee requested a copy of all communications that TC&I have had with Air Niugini.

Your Committee inquired if the airline anticipated an ongoing subsidy beyond the one year point and TC&I reported that the airline was aggressively marketing the flights and adjusting the flight schedule to adapt to the market. It is not anticipated that the subsidy will continue beyond one year. It was noted that ticket sales for the weekend flights has increased significantly, but not so for the midweek flight.

Your Committee expressed concern over the cancellation of the midweek flight and the potential impact this will have on tourism in the FSM. Your Committee requested a joint hearing with R&D to further discuss the number of visitors coming to the FSM and the potential for a reduction of visitors due to limited flight access.

Upon evaluation of the information presented and documents provided, your Committee concludes that the adoption of this resolution would be in the best interest of the National Government.

Your Committee would like to offer the following technical amendment to read as follows:

1. Page 1, line 13, delete "Second" and insert "Third" in lieu thereof.

Conclusion:

Your Committee on Transportation and Communication is in accord with the intent and purpose of C.R. 20-58, and recommends its adoption in the form attached hereto as C.R. No. 20-58, C.D.1.

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Respectfully submitted,

/s/ Victor V. Gouland
Victor V. Gouland, chairman

/s/ Alik L. Alik
Alik L. Alik, vice chairman

Florencio S. Harper, member

/s/ Ferny S. Perman
Ferny S. Perman, member

/s/ Dion G. Neth
Dion G. Neth, member

/s/ Wesley W. Simina
Wesley W. Simina, member

/s/ Joseph J. Urusemal
Joseph J. Urusemal, member