



STANDING COMMITTEE ON SOCIAL AFFAIRS

REVIEW REPORT ON THE AIRPORTS FIJI LIMITED (AFL) 2016 ANNUAL REPORT



PARLIAMENT OF THE REPUBLIC OF FIJI
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CHAIRMAN'S FOREWORD

On behalf of the Committee, I present the report on the assessment made to the Airports Fiji Limited (AFL) 2016 Annual Report.

With the vision of AFL to be the world's leading small international airport and air traffic management service provider, whilst protecting the heritage of all Fijians, in 2016 embarked in achieving the Skytrax 6th Most Improved Airport in the World.

Nadi International Airport has become the first airport in the South Pacific to receive Level 1 Airport Carbon Accreditation by the Airports Council International (ACI) and International Civil Aviation Organization (ICAO). This achievement has put Nadi International Airport on the global map and we must commend the immense efforts, commitment and hard work by team AFL.

The Committee also agrees that whilst profits contribute to the balance sheet, the sustainability of the balance sheet and its business in a capital intensive environment depends on how well money is spent on capital expenditure.

The Committee took note that in 2016, one of the proudest achievements of Airports Fiji Limited was the completion of Nadi Airport Terminal Modernization Project which is the iconic airport in the South Pacific right now.

The strategies and approach taken by the Board to manage the cost and qualitative outcomes of Nadi Airport Terminal Modernization Project (NATMP), and the ongoing monitoring of it to close the project at \$132 million was a success. Once again, this achievement calls for commendation. As per Executive Chairman's Report, it would have been easy to spend \$220 million on this project if it was not managed well.

The Committee was pleased to note that the enterprise business value of AFL over the last three years has also grown significantly.

In 2016, AFL recorded an operating profit before tax of \$65.86 million compared to \$46.04 million in 2015, an increase of \$19.82 million or 43%. The total shareholder's fund grew to \$202.65 million in 2016 compared to \$183.2 million in 2015, an increase of \$19.5 million despite declaring \$30 million dividend. During the same year, it contributed \$909,126 as it further support to the Fijian people through the Prime Minister's National Disaster Relief and Rehabilitation Fund and waived all fees and charges to aircraft bringing in relief supplies to Fiji.

It was pleasing to note, that one of the two pillars of the Fiji Airport's overall strategy is its people and the other is the management systems.

The biggest challenge for AFL was the widespread devastation of Tropical Cyclone Winston that destroyed Koro and Vanua Balavu Terminals however, the team was able to completely refurbished the two terminals at the end of 2016.

We once again, congratulate the team of committed and motivated individuals, who worked together better than ever to bring AFL to new heights. We have no doubt this great success will continue in the future, together with great dividends for its shareholders.

I thank especially the Deputy Chairperson, Hon. Veena Bhatnagar, Members, Hon. Salote Radrodro, Hon. Ruveni Nadalo, Hon. Anare T. Vadei and alternate Member, Hon. Alivereti Nabulivou and the secretariat for their contribution towards the scrutiny and formulation of this bipartisan Report.

With these words, on behalf of the Standing Committee on Social Affairs I commend this Report to Parliament.



Hon. Viam Pillay
Chairman of the Social Affairs Standing Committee

RECOMMENDATIONS

The Standing Committee on Social Affairs has conducted a review of the Airports Fiji Limited 2016 Annual Report and has few recommendations to be brought to the attention of the House:

- For good governance and transparency purpose, there is a need for full membership of five (5) to seven (7) Board of Directors in accordance to the Public Enterprise Act;
- The current position and holder of the Executive Chair of AFL should have an employment contract separate from his position as the Executive Chair of Tropik Woods;
- All reporting entity should specifically identify areas of gender composition in the workplace with provision of statistics in the report.

INTRODUCTION

The Committee during its deliberation invited the Airports Fiji Limited (AFL) on Thursday, 5th April, 2018 to provide its submission presentation before the Committee.

Airports Fiji Limited (AFL) is a fully Government owned Commercial Company (GCC) that was established on 12 April 1999 under the Public Enterprise Act 1996. AFL owns and operates Nadi Airport and 13 other domestic outer island airports on behalf of the Government.

AFL owns and operates Nadi International Airport and manages Nausori Airport and 13 other domestic outer island airports on behalf of Government. AFL also provides Air Traffic Management (ATM) services in the Nadi Flight Information Region (Nadi FIR). This includes the air space of Fiji, Tuvalu, New Caledonia, Kiribati and Vanuatu, covering an area of 6.0 million square kilometres.

AFLs core responsibilities are to:

- Efficiently and in a regulatory compliant manner carry out international, domestic and outer island airport operations.
- Efficiently and in a regulatory compliant manner carry out Air Traffic Management in the Nadi Flight Information Region and Fiji's airspace.
- Provide world class duty free shopping experiences to our passengers.
- Provide reasonable returns to our shareholder in line with its level of investment.
- Continually invest and develop our ATM facilities, terminal and airfield pavement infrastructure to world class standards.

Nadi International Airport is the main international airport and Fiji's gateway to the world. It handles 97% of international visitors to Fiji annually, 86% of which are tourists. The airport handles up to 38 international and 58 domestic flights a day equating to around 34,926 commercial aircraft movements annually with 40,487 over-flights per year. Nadi Airport generates 96% of AFL's total revenue and 100% of its profits.

FINDINGS

1.0 MEMBERSHIP OF THE BOARD OF DIRECTORS

The Board is responsible for charting the Company's strategic direction, setting objectives for infrastructure upgrades, developing a fair framework for human resources, setting clear goals and mechanisms to monitor performance. The Board membership criteria and composition is determined by the shareholders.

2.0 DELIVERY OF EFFICIENT AND EFFECTIVE SERVICES

This is a major achievement for Fiji, for Airports Fiji (AFL) Limited and a proud moment for all Fijians. Fiji is the only developing country which made the list. It is the only country with less than a million people to make the list. The other nine airports on the list of most improved airports are all from developed nations. This is a testament to the massive upgrade work done at the airport which has no doubt lifted the profile of our main point of entry to international level. Through understanding risks of peak demand, passenger expectations, and continually striving to improve AFL provides efficient and customer centric services.

3.0 POSITION OF THE CHIEF EXECUTIVE OFFICER (CEO)

Under the structure Executive Chairman is the CEO and Chairman of Fiji Airports. In addition to that restructure many GM positions in FA have been streamlined over the past 5 years. \$8 million dollars have been saved over the last 4 years for various positions "restructured" or streamlined. Executive Chairman does not personally earn even 1 cent in salary or perks! In other words Fiji Airports has not paid him 1 cent of salary in last 4 years, nor provided him a car or housing or any benefit whatsoever. Executive Chairman does not even have an employment contract with Fiji Airports. For Executive Chairman's role at Fiji Airports the Government as the shareholder has asked Fiji Airports to reimburse \$17,000 per annum to Tropik Wood Industries Ltd. Yet Executive Chairman, with the rest of the Fiji Airports team, has been responsible to lead Fiji Airports into a complete and utter transformation.

GENDER ANALYSIS

Gender is a critical dimension to parliamentary scrutiny. Under Standing Order 110 (2) where a committee conducts an activity listed in clause (1), the Committee shall ensure full consideration will be given to the principle of gender equality so as to ensure all matters are considered with regard to the impact and benefit on both men and women equally.

To questions raised by the Committee on gender composition of AFL, FA responded that it does not discriminate employees due to gender. The perception was that aviation industry is male dominated is no longer true. In Air Traffic Management 34% of the staff are female. In the last 3 years, females have made up 50% of recruitment. Overall, in 2015 female ratio was 15% and this increased to 22% in 2016. FA is an equal opportunity employer and an employer of choice.

The Committee is pleased with the AFL's position in promoting gender equality in its workplace.

CONCLUSION

The Committee has fulfilled its mandate in examining the Airports Fiji Limited 2016 Annual Report and commended the position of AFL since 2016 has been a busy few years for the airline as it has achieved a remarkable turn-around of fortunes – a complete rebranding, a profit-sharing scheme for its staff and an ambitious plan to expand its operations.

To conclude, the Committee acknowledges and commends the overall performance of the organization however, there are a few recommendations which the Committee has highlighted above and looks forward to appropriate actions taken by AFL.

SIGNATURES OF MEMBERS OF THE SOCIAL AFFAIRS STANDING COMMITTEE



Hon. Viarn Pillay
(Chairperson)



Hon. Veena Bhatnagar
(Deputy Chairperson)



Hon. Salote Radrodoro
(Member)



Hon. Anare T. Vadel
(Member)



Hon. Ruveni Nadalo
(Member)



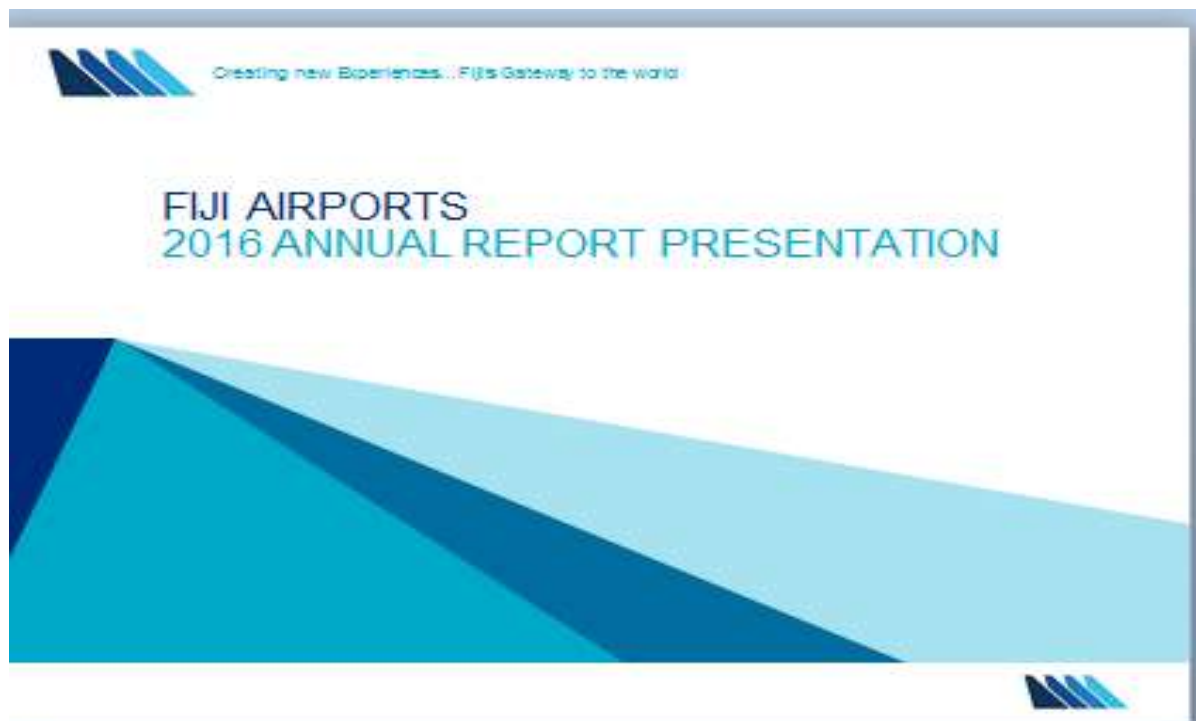
Hon. Alifereti Nabulivou
(Alternative Member)

APPENDICES

APPENDIX 1: LIST OF ACRONYMS

Acronyms	Meaning
SO	Standing Orders
AFL	Airports Fiji Limited
FA	Fiji Airports
RCC	Rescue Coordination Centre
FIR	Nadi Flight Information Region
NATMP	Nadi Airport Terminal Modernization Project
PBCS	Performance Based Communication Surveillance Monitoring System

APPENDIX 2: POWERPOINT PRESENTATION BY AFL



ABOUT FIJI AIRPORTS

- FA is a fully Government owned **Commercial Company** established on 12 April 1999 under the Public Enterprise Act of 1996.
- The company reports to the Attorney General and Minister for Public Enterprise for its commercial performance and Civil Aviation Policy Matters.
- FA owns and operates Nadi and Nausori International Airport's and manages 13 other domestic outer island airports on behalf of its shareholder.
- FA also provides Air Traffic Management (ATM) services in the Nadi Flight Information Region (Nadi FIR). This includes the airspace of Fiji, Tuvalu, New Caledonia, Kiribati and Vanuatu, covering an area of approximately 6.0 million square kilometers.

FIJI AIRPORTS | 14th 2016 | 1

OUR PEOPLE

- Our people are an integral part of our success. One of the two pillars of FA's overall strategy is our people. The other is our management systems.
- One of our philosophy is **"teamwork and delivery"** through effective communication and understanding of roles.
- In order to row in the same direction our people need to know what they have to do and this is achieved through effective communication using both the "top down" and "bottom up" approaches.
- We invest in our people through continuous training and development programmes.

OUR PEOPLE



OUR PEOPLE (Cont.)



2016 PERFORMANCE - SNAPSHOT

- In 2016 FA recorded operating profits before tax of \$65.86m, compared to \$46.04m in 2014. This was an increase of \$19.82m or 43%.
- The 2016 EBITDA (Earnings before interest, taxes, depreciation, and amortization) was \$78.66m compared to \$58.21m in 2015.
- Total revenue in 2016 was \$118.05m compared to \$92.55m in 2015.
- Total operating expenditure was \$50.84m compared to \$45.88m in 2015.
- Dividends declared in last 4 years total \$100m. 2017 - \$45m; 2016 - \$30m; 2015 - \$15m; 2014 - \$10m.
- The total shareholder equity grew to \$202.65m in 2016 compared to \$183.2m in 2015.

Note: After NATMP an independent asset valuation was undertaken as per audit requirements and Accounting Standards that has revalued the assets upwards by around \$206m. The shareholders equity will significantly increase in 2018 to around \$450m.

FLI REPORTS

April 7, 2018

5

2016 PROJECTS

- The Rotuma Runway Extension Project presents an opportunity for development and economic growth for Rotuma and its people. This project was a Work-In-Progress for the last 30 years!!!
- It will be completed in May 2018 allowing ATR 72's/ ATR 42's to land, increasing capacity of a flight by tenfold. Current constraint 5 pax per flight. Result :- lower fares, transportation of goods, travel etc.
- FA also contributed \$3m to its social obligation in operating and maintaining Nausori and 13 other outer station airports.
- In 2016 Fiji was hit with the most devastating cyclone in Fiji's History. Koro and Vanuabalavu airports were brought to the ground.
- Koro and Vanuabalavu terminals were built within a year of Winston, by end of 2018.
- Labasa and Savusavu terminal remodeling will be finished by early 2019.
- Labasa night flight procedures are almost completed. Awaiting land acquisition and charts to commence night flights in May
- FA has ambitious yet achievable plans to develop Nausori and all other outer island airports within the next 7 years.
- Nausori Design is 100% complete and construction tender closes on 13th April.
- None of the developments in Nausori and Outer-Islands have a "business case". FA will continue to make losses from their operations after the development.

Fiji Airports

April 2018

6

ROTUMA RUNWAY UPGRADE



Fiji Airports

April 2018

7

ROTUMA RUNWAY UPGRADE



KORO & VANUABALAVU TERMINAL UPGRADE



NAUSORI RUNWAY & TERMINAL UPGRADE



LABASA AIRPORT UPGRADE



SAVUSAVU AIRPORT TERMINAL UPGRADE

- Click to add text



KU AIRPORTS

Sept 17

NADI AIRPORT TERMINAL MODERNISATION PROJECT



International Accolades



The World's Most Improved Airports

- 1 Rome Fiumicino
- 2 Perth
- 3 Calgary
- 4 Taiwan Taoyuan
- 5 Athens
- 6 Nadi**
- 7 Montréal
- 8 Moscow Sheremetyevo
- 9 Houston Intercontinental
- 10 Manila

International Accolades



APPENDIX 3: VERBATIM REPORTS ON THE AFL SUBMISSION

VERBATIM NOTES OF MEETING OF THE SOCIAL AFFAIRS HELD AT THE COMMITTEE ROOM (EAST WING), GOVERNMENT BUILDINGS, THURSDAY 5TH APRIL, 2018, AT 2.30 P.M.

Submittee : Airports Fiji Limited (AFL)

In Attendance

- | | | | |
|----|-----------------------|---|---------------------------------------|
| 1. | Mr. Vinith Naidu | - | Principal Project & Financial Analyst |
| 2. | Mr. Amit Singh | - | CO Head Operations |
| 3. | Mr. Isei Tudreu | - | General Manager (AFL) |
| 4. | Ms. Sanjana Mishra | - | Senior Financial Accountant |
| 5. | Mr. Christopher Chand | | |
-

DEPUTY CHAIRPERSON.- Thank you Honourable Members, Secretariat and of course the team from AFL. Once again a very good afternoon to you all.

Honourable Members, today we have with us the AFL team. Today we have with us Ms. Sanjana Mishra she is the Senior Financial Accountant, Mr. Vinith Naidu, Principal Project and Financial Analyst, Mr. Amit Singh, CO Head Operations Air Traffic Management, Mr. Christopher Chand and Mr. Isei Tudreu, General Manager. Thank you very much for your presence, thank you very much for availing your precious time and on behalf of the Committee Members I welcome you all to the Standing Committee on Social Affairs meeting today.

Before we proceed with the meeting I have seen a response which I would like to highlight. So basically it is written that first of all it is most unfortunate that the Committee sends question to us at 6pm on the night before the meeting. With respect in future the Committee needs to send these questions before it embarks upon arranging a meeting.

I would like to respond to that. In fact you might not be aware but actually just to let you know that we the Committee Members are actually not obliged to send you the questions beforehand, we actually are not. It is just out of courtesy that we send the questions beforehand so that it is for your comfort, it make your life easy to know the questions in advance and prepare the answers otherwise we could have just called you and ask the questions from the floor. So that is the scenario. We are under no obligation to send the questions prior to, we could have just asked the questions here.

In the second paragraph the definition of social affairs relates to people and community and the whole rest of things there, in that case I would like to tell you first of all that this report was given to our Committee on Social Affairs by the Speaker. The Committee is mandated to scrutinise the whole report in a holistic manner. We cannot just scrutinise a part of Annual Report and leave a part of the Annual Report. So basically the mandate was given by the Madam Speaker for our Committee to deliberate on, scrutinise and then get back to the Parliament. So that is the reason the Committee Members have prepared their questions. The questions did not come from the Chair

alone, it is a collective effort by the Committee Members to put in their questions which was sent to you. I hope that clarifies those two paragraphs which was written to the Chair and of course I would like to read Section 112 of the Standing Orders that powers of the Standing Committees to you so that you are well aware of our position.

- “(1) For the purposes of performing its functions and subject to Section 74 of the Constitution and any written law governing Parliament, a Standing Committee has the power to -
- (a) summon any person to appear before it to give evidence or provide information;
 - (b) compel the production of documents or other materials or information as required for its proceedings and deliberations;
 - (c) determine if it will accept oral or written evidence;
 - (d) determine the extent, nature and form of its proceedings;
 - (e) conduct its proceedings or any aspect of its work at any venue it deems to be most suitable, including where Parliament is not sitting, a venue beyond the precincts of Parliament;
 - (f) appoint sub-committees in accordance with Standing Order 122;
 - (g) consult and liaise with any government department falling within its category of affairs;
 - (h) in accordance with section 91 (3) of the Constitution, compel the attendance of a Minister to testify or to produce documents or other materials; and
 - (i) exercise such other powers as may be prescribed or assigned to it by the Constitution, any law, these Standing Orders or a resolution of Parliament.
- (2) For the purposes of clause (1) (a) and (b), a standing committee has the same powers as those of the High Court.”

So thank you once again very much for availing yourselves, I hope that clarifies the situation. But before we proceed with your presentation I would like to comment a vast performance whilst going through the report which was very enlightening, interesting as well as very informative. I now give the floor to the members for your presentation. Thank you.

MS. S. MISHRA.- Good afternoon again Honourable Members of the Standing Committee on Social Affairs. We do note your comments raised earlier and yes we did sort of have a short notice to respond to some. We could have responded better but in future we will take note of your comments. We have got a PowerPoint presentation which we will begin with and then we can go through the questions and responses. Vinith will proceed with the presentation.

MR. V. NAIDU.- Good afternoon, Honourable Members. I would like to give a brief background about Fiji Airports. Fiji Airports is a fully Government-owned Commercial Company which was established on 12th April, 1999 under the Public Enterprise Act of 1996. The company reports to the Attorney-General and the Minister for Public Enterprises for its commercial performance and Civil Aviation Policy matters. Our operations are basically in two separate streams.

As the owners and operators of Nadi International Airport, Nausori Airport and 13 other domestic airports as well as providing Air Traffic Management services in the Nadi Flight Information Region. We cover approximately 6 million square kilometres over Tuvalu, New Caledonia, Kiribati, Vanuatu as well as Fiji air space.

I would like to begin with our people. Our people are an integral part of our success. One of the two pillars of Fiji Airport's overall strategy is our people, the other is our management systems. One of our philosophy is teamwork and delivery through effective communication and understanding of roles. In order to row in the same direction, our people need to know what they have to do and this is achieved through effective communication using both the top down and the bottom up approaches.

We invest in our people through continuous training and development programmes. This slide shows some of the different sections. We have in the first picture our administrative staff inside our newly upgraded Nadi International Airport. We have some fire fighters, we have Air Traffic Controller at work in our control tower, we have some air navigation equipment experts on the bottom picture and we have our electrical team on the bottom left. These are some more pictures of our staff at work.

Further I would like to give a snapshot of 2016 Performance of Fiji Airports. In 2016 Fiji Airports recorded operating profits before tax of \$65.86 million compared to \$46 million in 2014; an increase of 43 percent. Our 2016 EBITDA which is our Earnings Before Interest, Taxes Depreciation and Amortisation was \$78.7 million compared to \$58.2 million in 2015. Our total revenue in 2016 was \$118 million compared to \$92.6 million in 2015. Our total Operating Expenditure was \$50.84 million compared to \$45.9 million in 2015. Dividends declared in the last four years comes to a total of \$100 million. For 2017 we have declared a dividend of \$45 million, 2016 - \$30 million, 2015 - \$15 million and 2014 - \$10 million. The total shareholders' equity for Fiji Airports grew to \$202.7 million in 2016 compared to \$183 million in 2015.

MS. S. MISHRA.- Just for your noting, Honourable Members, after the completion of the Nadi Airport Terminal Modernisation an independent asset valuation was undertaken as per the audit in Accounting Standards Requirement and they have revalued the assets upwards by around \$206 million, so the shareholders' equity will significantly increase in 2018 to around \$450 million.

MR. I. TUDREU.- *Bula vinaka.* Honourable Committee, the projects undertaken in 2016 as per the Annual Report, one of the major ones was Rotuma and this is significant because Rotuma itself was a project that was a work-in-progress for 30-odd years and to materialise this project because of the constraint involved in a remote location, it is very far. The runway is expected to be completed by end of May this year, this is a game changer for the people of Rotuma. Previously we have **twinautos** going with a payload restriction of about five passengers max. If anyone has had family going to Rotuma the wait time or lead time to get on board and come out from Rotuma is very restrictive. Some people have to wait for up to two months, with the ATR 42 going in, it is a game changer allowing about 50 to 60 pax to go in.

So the more number, overall cost reduces, so the ticket price will effectively come down. That is one of the biggest game changes; accessibility to the island. That is the general vision since the outer islands have been handed over or taken over by Airports Fiji Limited. That is the general philosophy that Airports Fiji Limited is trying to make the outer island airports also apart from the major Nadi and Nausori. So that is the \$13 million project in itself and just like Nausori and Rotuma and outer islands, there is no business case for Airports Fiji Limited but it is a social obligation which we are obliged for the people of Fiji. The main profit centre is Nadi Airport.

We were hit by *Cyclone Winston*, unfortunate we are prone to such natural disasters and we are proud to say that we were able to get the terminals in Koro and Vanuabalavu back within a year; a terminal was constructed. We are proud of that because to send contractors out there is a challenge in itself. Labasa is one on the radar right now, there is work going on on the runway lighting to allow for night flight operations and Savusavu, also there is work going on in the plan for the terminal remodelling, and we expect it to be completed by 2019. As I mentioned, Labasa was our biggest challenge was land acquisition not for extending the runway itself but for putting those lights, the enablers. Apart from the runway lights, we need approach lights and precision approach to give guidance to the pilot when coming in, so those were one of the constraints. We have overcome that and we expect also by the end of May.

The other challenge is the terrain around Labasa, it is sitting in a basin. So the flight charts, what path the flights will follow at night because they will not be able to visually see and that is the constraint. And once you get in, how do you get out at night and that is another challenge. We have to go into the aircraft performance and other details also.

Over the next seven years we plan to do the same, what we are doing with Labasa and Savusavu and there are other outer island airports noting passenger demand. Most of them have only one flight a week going in, the feasibility part comes in.

Going back to Nausori, design is complete, by the 14th of this month the tender closes and then we have about the next one and a half years for the delivery of the project itself in the new apron and a widened and a lengthened runway in Nausori. That is another game changer, 30 percent of our population lives in the Suva, Nausori corridor. I think it is worth noting that once Nausori is extended a lot more flights will start coming into Nausori. *Vinaka*.

MR. V. NAIDU.- *Bula vinaka* and a very good afternoon Honourable Members of the Standing Committee on Social Affairs. I am going to take you through the next few slides, this is a visual of the Rotuma upgrade project, the ground breaking ceremony that we had last year in June. You have some staff of Airports Fiji Limited to your right who are based at Rotuma and the seven district chiefs with members of the management team from Fiji Airports who were present for the ground breaking ceremony.

The next slide shows you the update and the progress that has taken place, so as you can see the runways are being tarsealed as we are nearing completion next month.

Tropical Cyclone Winston caused widespread devastation in the country so Koro and Vanuabalavu terminals were not spared. Both our terminals in Koro and Vanuabalavu were brought down, these images show you the completed and refurbished terminals that were done by the end of 2016.

MR. I. TUDREU.- Honourable Committee Members just back to Nausori here, just wanted to give you a visual snapshot for those of you who are familiar, there are two main roads that are being affected here. One is the Kukubau Road at the bottom and the Veisama Feeder Road at the top and, of course, with that extension comes considerations for the environment also. There is also a customary creek called Qaraniki that goes through that area which we have to be mindful of; the flow of that creek, the spawning of the *ki*, all those things are considerations that we have to take. In the beginning, mind you, this is just on a personal note, I was not mindful of that, I said that it is just

a fish but, no, it means a lot to the people; we have to be considerate of that fact. It has been factored into the project and thus that is one of the constraints of this project. So drainage is another issue

Moving of the terminal building and the control tower will come with this as a second phase.

This is just a snapshot of Labasa, we had to acquire land to put the precision approach lights and that guides an aircraft on a three degree slope to come and touch down on the keyboard markings there. There will be work also on the apron. So you can see the lights are installed as we speak on the runway edges and the taxiway. Savusavu terminal also is planned to be upgraded by the end of 2019.

MR. C. CHAND.- *Bula* again Honourable Members. The slides shows you one of the proudest achievements of Fiji Airports, Nadi Airport Terminal Modernisation Project which is the iconic airport in the South Pacific now. After the refurbishments were completed last year as a result of that the following slide will show you our most recent and another humbling achievement for Fiji Airports, Skytrax has recognised us and given us the highest accolade. We are ranked No. 6 as the world's most improved airport. You can see out of the 10 airports, Nadi Airport is punching above its weight in that list, so it is a big achievement for us and this was announced two weeks ago.

The next slide also is another achievement for Fiji Airports. We are the first airport in the South Pacific to be Airport Carbon Accredited, Level 1 Certification. This is in our continuous efforts to reduce carbon emissions at Nadi International Airport.

DEPUTY CHAIRPERSON.- So, that brings you to the end of your presentation. Thank you very much. That was a wonderful presentation, short, sweet but very informative and much enlightening. Thank you once again and I must again commend your achievements, be it the completion of the Nadi Airport Terminal Modernisation Project, be it your contributions, your efforts towards the fight against climate change, be it your social obligations, I applaud your efforts and your contribution towards the building of this nation. Congratulation on another achievement as you mentioned - carbon accreditation is one and the international accolades where you are No. 6; that is wonderful, we are proud for your achievements.

It is question time now. You have already got your questions or you have answered some of the questions in your presentation as well. But, nonetheless let us go through the questions and **Question No. 1** was with your reference to page 10 on the construction of outer islands airports developments in Rotuma, May 2018 you have said that it will be completed and believe me, we have been to Rotuma, I think two or three times and we have faced the challenge ourselves and I can imagine what the people go through, the waiting time, the weeks. I have known that they wait for weeks but now you have mentioned that wait for months to board a flight.

So, basically this new achievement will help the movement of people from and to Rotuma. If you want to go through it again it is all right, update the Committee but we would like you to tell us something about the immediate plans of the same upgrade which will be happening I the outer islands. Vanuabalavu and Koro you said that has been done, what about Moala, et cetera?

MR. I. TUDREU.- Madam Deputy Chairperson, just to reiterate that we are looking at it over the next seven years, we really do not have a business case for each or any of those airports and demand, of course, will determine the priority. But, of course, Koro and Vanuabalavu were

something that we had to do because of the natural disaster but I would like to at this juncture just state that all our 13 outer island airports are certified by Civil Aviation Authority and they are ensuring that we meet those standards that are stipulated as required for aerodrome in terms of security, facilitation and airdromes.

DEPUTY CHAIRPERSON.- Thank you. After each question we will be having some supplementary questions. Honourable Member Salote Radrodro.

HON. S.V. RADRODRO.- Thank you Madam Deputy Chairperson and thank you to the team from AFL for your presentation. In regards to the outer island airstrips, I am not sure how many of you have taken flights from those islands from those airstrips because I come from the island and I have taken those flights several times. I tell you until we land in Nausori then we say, “thank God we are alive”, because at times it is really risky. The point this question is being brought in here is that, Rotuma has been done, that is great; it is a game changer.

However, the question is that that same game changer should be applied to these islands because of the risk factor. What is the population of Rotuma as compared to Vanuabalavu? If you can do it in Rotuma, why not the other islands? I know it is social obligation but the risk involved because even at times, I have been there and we are told that the flight has already left Nausori but it cannot land because of the grassy runway. Just recently I was in Vanuabalavu, you have done a great job in terms of the complex. I do not understand why the fence was not included? I do not think it would cost that much because the animals still take a walk in there and I am not too sure about Koro, I have not been to Koro but the question is, how was the costing done because little things like that, the fence would have made a lot of difference. The grassy runway is in all the other islands, and it has been like that ever since the first government or Colonial times or when they were established. It has come a long time and you have portrayed a very profitable organisation according to the report. The question is, how can that profit be reflected or how can that profit translate into improving the flight for those runways because after *TC Winston* (I was there) I called up a friend and said, “can you arrange for these things to be done because it is really bad?” That has been done but why cannot the fence be included and can the grassy patch be the game changer for the other island airstrips too? Thank you.

MR. A. SINGH.- Madam, just to advise you that Civil Aviation does the audit and they have completed one as of last month. There is a fence in Vanuabalavu and there have not been incursions, there have not been reported incursions of animals or people into the airfield. Madam, we have a Fiji Air Navigation Service Plan. If you will note that on page 14 of the report, this plan is a holistic approach taken by Airports Fiji Limited; note this is for Fiji. We have renamed this plan just recently calling it the “Fijians Plan” and this plan encompasses how we will make the approaches into these runways safer using satellite technology. This is still work in progress, I cannot promise anything overnight but these allow flights to come guided to a certain point in line with the runway so it can come in different weather conditions; bad weather conditions. It is almost like an instrument approach but guided by satellites. That is something that is in the pipeline but as for the grass runway, Madam, it is a common feature. If you go to outback Australia, it is similar. We have gravel runways and grass runways and those are certified and regulated by Civil Aviation Authority of Fiji (CAFF).

DEPUTY CHAIRPERSON.- Thank you, Mr. Singh. I can also say here we note your seven-year plan. Maybe in future, within the next seven years, things will change.

On the same token, the Nausori Airport you mentioned about the runway upgrade and you also mentioned that the terminal will be moved. Basically people have been complaining about the departure lounge which we have because the washrooms are not there so if you need to go to the washroom, you have to go to the back.

MR. A. SINGH.- Madam, the other constraint apart from the washrooms is that if you look at previous floods, we have had flooding issues with the terminal also and we have identified a location where we plan to, but of course, I cannot give you timelines for that. It is part of Phase Two of Nausori Airport Modernisation. Phase One is the widening and lengthening of the runway and parking apron for the aircraft. Phase Two will encompass the moving of the terminal.

DEPUTY CHAIRPERSON.- Thank you, Mr. Singh. Moving on to **Question No. 2**. We noted that the board is responsible for charting the company's strategic direction, setting objectives for infrastructure upgrades, developing a fair framework for human resources, setting clear goals and mechanisms to monitor performance. What are the set criteria requirements for membership? Can the board have full membership of a maximum of seven? MS. S. MISHRA.- Thank you. The board membership criteria and the composition are both determined by our shareholders, the Ministry of Public Enterprise. The management of Airports Fiji Limited (AFL) does not determine how the board members are selected and also they do not determine the numbers. They just send the board appointment letters to us comprising of who the board members will be.

DEPUTY CHAIRPERSON.- *Vinaka.*

HON. S.V. RADRODRO.- The main concern there is you have three members. If one is unable to come then you only have two. I suppose that is a quorum. Having only two people to decide on the strategic direction of an organisation such as this, to me is a bit unacceptable.

The way I heard you is that the membership is factored into the Act. Is it in the Act that there is only to be three members? I am not sure, I am asking.

MS. S. MISHRA.- In the Act, it would be a maximum of seven members but that is the maximum of up to seven. But it would not say that three members are not allowed. The fourth representative in the board is a Government representative.

HON. A.T. VADEI.- Chair, I suggest that that should be one of our recommendations.

DEPUTY CHAIRPERSON.- Yes. Thank you. We can put it as one of our recommendations.

. Actually going through your management team, I was impressed that Sanjana Mishra is the Senior Financial Accountant and Board Secretary and Renny Anand being the Manager Human Resources so we have got these two beautiful ladies in top ranking positions. Congratulations!

Question No. 3 is how is AFL considering the notion for gender composition in its workplace? Going through your report, I have noticed that you are totally like merit-based. You do not discriminate against gender.

MS. S. MISHRA.- Like you said, Fiji Airports does not discriminate employees due to gender. The perception was always that the aviation industry is male-dominated and this is no longer true. We can proudly say that we are blind when it comes to gender and other biased issues. In air traffic management alone, 34 percent of our staff are females. In the last three years, females have made 50 percent of the recruitment thus giving a “pun” by pilots that the tower is unmanned. Overall in 2015, female ratio was 15 percent and this increased to 22 percent in 2016.

Furthermore I would like to say that air traffic control has the most number of employees, and like I said, 34 percent in the latest recruitment were female staff. The other major components are the fire and security departments. Yes, we would like more ladies to come in but when we have the vacancies, we have more men applying. But where possible, we have had recruited ladies in the fire and security departments.

DEPUTY CHAIRPERSON.- Thank you. At least I can see an increase there from 15 percent to 22 percent. So you are progressing well.

Moving onto **Question No. 4**. On page 55, it was noted that AFL in 2014 had obtained a loan of \$85 million from Westpac Banking Corporation Limited for the Nadi Airport Terminal Modernisation Project. Can AFL reconsider its payout to loan to use sustainable profits over the years to offset this amount rather than leaving it until 2026 with incurring interests and requests for Government grants? Was there another loan obtained amounting to \$7 million in 2016? This question is in reference to Note 24 on Page 57.

MR. A. SINGH.- *Bula* again, Members of the Standing Committee. My response to this is that any business relies on a mix of borrowing and equity to fund its capital infrastructure projects. Fiji Airports has one of the best balance sheets in the country, thanks to a lot of hard work particularly over the last four years.

The maximum borrowing to EBITDA for Fiji Airports is conservatively at three times. With EBITDA at around \$100 million, a safe and sound borrowing stands at \$300 million. Borrowing \$85 million demonstrates a very safe level of borrowing. Also we noted that there is mention of an additional \$7 million. There is no additional \$7 million loan. This is a standby letter of credit which is part of the \$85 million.

Further to this, I would like to add, if our financials are considered in a greater depth, you will note that our balance sheet is so sound. Our borrowing rate for the \$85 million loan is far lower than our various term deposit rates so we in fact make money by putting in term deposits at higher rates than our borrowing.

DEPUTY CHAIRPERSON.- Hopefully that satisfies the Members. Any supplementary questions? Honourable Radrodro.

HON. S.V. RADRODRO.- Yes. Thank you, Madam Deputy Chair. If I may just ask a side question. Who prepared the responses to our questions?

DEPUTY CHAIRPERSON.- You are not obliged to answer, sorry to interrupt but yes, if you feel comfortable

HON. S.V. RADRODRO.- No, I would like to know.

MR. A. SINGH.- It was prepared by the team.

HON. S.V. RADRODRO.- I read you this comment, The Social Affairs Committee is unclear on these business considerations to ask simplistic questions on saving interest costs by paying off loan early.”

You want to say something?

MR. A. SINGH.- No, you can add on.

HON. S.V. RADRODRO.- It is not simplistic questions. We have to ask questions. We may not have the business background but these are the kind of questions we need to ask to be able to scrutinise your annual report, do the report and also to enable us to go and debate in Parliament because the other Members who are not part of this Committee will depend on our report to be able to debate in the House. I believe that is the question and to me it is a valid question to ask. Say this simple analogy, if anyone is paying for the house and you are getting enough revenue, you would want to pay off the loan because of the interest will be accruing. And that was just the question. If you are making that much money, what is the reasoning, why you do not want to sort of clear the loans off quickly so that you could handle the interest rate and may be take another fresh loan to do other works. So that is just the question why not settle your loan earlier because you have attractive profits coming in.

MR. V. NAIDU.- Thank you for your response Honourable Radrodro. I would like to reiterate my last point. What we noted was that if a greater in-depth assessment of our financials was done, you would note that the interest as I had mentioned, our borrowing rate for the \$85 million is far higher than what we get for our term deposits. So you would find our interest revenue and our interest expenses something worthy to look at.

DEPUTY CHAIRPERSON.- That is a better way to do business?

MR. V. NAIDU.- Yes.

MS. S. MISHRA.- Just to add on, on Page 65, in our Financial Statement you will note that our interest on term deposit, the money that we earned by putting in money into term deposits was \$1.9 million and interest paid was \$1.3 million. So there itself does show that we did make a profit.

DEPUTY CHAIRPERSON.- Thank you.

HON. S. V. RADRODRO.- Honourable Chair, can I just ask another question still on the same previous question. Just a quick one in terms of, this is Government grant, how much Government grant, is this the one on Page 65? Your Government grant has sort of reduced, is that true?

MS. S. MISHRA.- Actually from 2016 onwards, we have not requested for Government grants.

HON. S. V. RADRODRO.- the profit and loss in terms of Government grant on Page 65?

MR. V. NAIDU.- To respond Honourable Radrodro, from 2016 onwards meaning after 2016, 2017, it had been reducing and then from 2017 onwards there is no Government grant.

DEPUTY CHAIRPERSON.- Thank you for that clarification members. **Question No. 5:** Can you just elaborate on the Employee Benefits on Page 55? What all is inclusive in this?

MR. C. CHAND.- Yes, Deputy Chair, I will respond to that question. The employee benefits is made up of accrued annual leave, fringe benefit taxes and employee entitlements. Fiji Airports is an employer of choice. At Fiji Airports, staff get a range of incentives and performance based initiatives to drive our staff towards excellence. These benefits include Term Life Insurance, Medical Insurance for all staff, Sick Leave Bonuses, Licence Allowance, Annual Bonuses, Transportation and other benefits to name a few domestic events, study leave for employees who want to pursue their studies.

As of 2016 we have also introduced a Health and Wellness Programme where the staff get time off work from 4 p.m. on Tuesdays and Fridays to look after their health and wellness for an hour before they finish off from work. So that basically sums up some of the incentives and programmes that we have at Fiji Airports.

DEPUTY CHAIRPERSON.- Thank you Mr. Chand. Any question Members?

Question No. 6: Can you highlight some of the major impeding challenges faced by AFL over the years and identify some of the proposed way forward by the organisation to tackle these underlying issues?

MR. C. CHAND.- Deputy Chair, historically there has been no master planning. One very good example was the Nadi Airport Terminal Modernisation Project. Buildings and pavement assets et cetera have been built on and added on without proper planning. The Nadi Terminal upgrade is a perfect example as I reiterated. So we are in this unfortunate position of fixing a neglect of the past and future proofing it now. The infrastructure going forward, Nadi Terminal upgrade has given the perfect launching pad for future proofing. We now have a master planning and programmes in place to plan and build for the future by fixing past neglects first. Historically, our organisation has operated without goals and targets. We used to be part of the Civil Aviation Authority of Fiji until we were set up as a commercial entity in 1999.

DEPUTY CHAIRPERSON.- Thank you for the answer.

Question No. 7: The Committee commends the overall performance of AFL in 2016 attaining considerable profits of an increase of 43 percent from 2015 despite the encounter of *Tropical Cyclone Winston*. How does AFL manage its service delivery in terms of providing efficient and effective services?

MR. C. CHAND.- Madam Deputy Chair, two weeks ago and as highlighted during our presentation, Nadi International Airport was recognised by Skytrax. So just a background on Skytrax; no airport or no airline in the world makes any application for these awards. These awards

are done by customer reviews. So as you can imagine that customer reviews led to Nadi International Airport being recognised as one of the most improved airports in the world.

That is the testament of our quality excellence that is being introduced at Nadi International Airport and it is testament to our service standards and efficiency. Through understanding risk of peak demand, passenger expectation and continually striving to improve, we provide efficient customer centric services.

DEPUTY CHAIRPERSON.- Thank you and once again congratulations on your achievements.

Question No. 8: What is the progress on Page 14 under the topic of Air Navigation Services regarding infrastructure projects in Nadi and Nausori Airports?

MR. C. CHAND.- Madam Deputy Chair, I understand this is in relation to Page 14. I can just give you a brief update on those projects that were mentioned in the Report and the VHF and VCS. VHF is very high radio frequency and this radio has been replaced all over the country with brand new radios. The last one was over 20 years old, all replaced with brand new park air system. The VCS is the Voice Communication System that uses those radios to communicate. So it is like a touch panel where you can dial out and use. As we speak, the replacement is in progress for the Voice Communication System....

DEPUTY CHAIRPERSON.- Sorry to interrupt, this comes with a considerable cost?

MR. C. CHAND.- Yes, it does. Sanjana?

MS. S. MISHRA.- Well, Voice Recording System was around \$6 million and....

MR. C. CHAND.- Deputy Chair, just adding onto that figure, this is a specialist equipment. In an aircraft you communicate with the aircraft, it is all voice over IP, it is all recorded; any conversation in the Operation Centre whether it be with an aircraft or with individuals, is all recorded.

Now just say, there is an incident or an accident, we start investigating from how many hours prior to see the mood, what were people doing, what was the environment like, were the people actually doing the work or were they playing around. I just want to mention a previous experience. When I was a junior staff, I accidentally said some bad things about my superior and it was all recorded. So when I denied it, they said, "listen, it is all recorded"; everything is recorded.

It helps in investigations, it helps in quality control, communication. So the controllers can play back and listen; "did I really say that?" Let us play it back. Or if a pilot wants to talk to a person on the runway itself, we could transfer that radio call to his mobile phone. It is state of the art.

MR. C. CHAND.- So moving on, the second component is the instrument landing system. This instrument landing system is for Nadi and Nausori. Nadi has been installed and as we speak it has been commissioned. It replaces a previous ILS which is also over 20 years old so infrastructure

needs to be changed. There was no instrument landing system in Nausori so this will allow aircrafts in low visibility to be able to come in and accurately touch down on the threshold.

This project, Madam, has been delayed because of the construction of Nausori. We do not want to install and then remove. We will wait for the construction of Nausori runway to be completed then we will install that. The equipment is sitting in our stores in Nadi as we speak.

ATM System Upgrade

I am mentioning Air Traffic Management System Upgrade. Note 2009, the last ATM system upgrade occurred and prior to that was 2002. Now 2017 – 2018 we have progressed with purchasing, we have signed the contract and by July of this year, the first component, a training system that will allow our air traffic controllers to do radar-like separation in Fiji for the first time will arrive. That will kick start this project which will go on until 2019 i.e. the replacement of the air traffic management system which looks after the domestic air space as well as the six million square kilometres of air space over the South Pacific.

Madam, I would like to mention, most of these are triggered by our obligation as an air navigation service provider for the South Pacific. The upper air space of which we are delegated by International Civil Aviation to look after on behalf of the island states of Kiribatis, Tuvalu, Wallis Futuna, New Caledonia and Vanuatu.

DEPUTY CHAIRPERSON.- Thank you. Yes Honourable Vadei, you have a question?

HON. A.T. VADEI.- Thank you Chair. I would like to thank the team for coming forward to present their 2016 Annual Report. I am quite interested in technology. My question on this issue is, this is a very expensive instrument and how much does the other airports pay for this revenue to the Airports Fiji Limited for the installation of these ATMs?

MR. A. SINGH.- This is all funded by

HON. A.T. VADEI.- Funded by Airports Fiji Limited but you will be looking after our air space, but how much revenue did you get?

MR. A. SINGH.- Fiji collects revenue from overflights over these island states also. That is one of the main revenues for Airports Fiji Limited. That is the main revenue and that is our business.

DEPUTY CHAIRPERSON.- Thank you. Basically **Question No. 9** may be relating to No. 8 as well because the question is: What are some of the plans in place to counter quick responses in search and rescue for aviation crash incidents (we have encountered two similar incidents in the past that has led to incurrence of death tolls?)

MR. A. SINGH.- Madam, whenever incidents happen as such or accidents, it is a very emotional situation. Condolences to the families of the two pilots that we have just lost. In the aviation industry, this is sensitive because we know each other and it gets emotional. But having said that, all Air Traffic Management staff that are on shift whether it be in Nadi, Nausori or the

outer islands like Labasa, Savusavu, Matei and Rotuma act as alerting posts for search and rescue. We have trained them all for search and rescue.

The moment they hear, Madam, I say this with emotion because I am an Air Traffic Controller; whenever we hear those calls for distress we react. We are trained to react and the Fiji RCC is now based with the Navy. Previously, it was based with us in Nadi. Fiji RCC is based now with Navy. Fiji RCC is the command post now and we are the aviation sub-rescue centre. There is a maritime sub-rescue centre and a land which is headed by the Police; Navy heads the maritime and we do the aviation. Our responsibility is not only for domestic but for the entire Flight Information Region covering six million square kilometres.

Having said that, we work in coordination and whenever we determine, if it is something on the ground, we hand over to the Police, we co-ordinate with our assets in the air, there may be other aircrafts flying or people on the ground. So we have a coordination and if it is out of our capability, then we call in either Wellington RCC to send in the ... out of Whenuapai in New Zealand or if it is closer to Australia, then we seek the Australian Air Force or the US Coast Guard. That coordination is there, we coordinate directly with the Fiji Navy on that.

Whenever a distress signal is activated, a satellite gives a signal to us, we plot the coordinates, we send it across to the Fiji Navy. A constraint, Madam, in this situation that just recently happened with the trainee pilot and the flying school. The regulation does not require them to have an emergency locator beacon on those light aircrafts and that is something to be seen by the regulators.

The other thing is the weather and the terrain. Our local pig hunters have the best way to get to those sites. Even the police and the navy will be lost up there. It is virgin forest and the weather of course; it took a week for the weather to clear up.

DEPUTY CHAIRPERSON.- I can understand. Thank you, Mr. Singh. Any supplementary questions?

MR. I. TUDREU.- All Fiji registered aircrafts are now equipped with ADS Bravo, therefore any aircraft that flies in our air space will be known by our air traffic controllers. That adds to the search if it is required. Thank you.

DEPUTY CHAIRPERSON.- *Vinaka*. Going through the reports, I have noticed, I mean it was a challenge the asbestos from the buildings. Basically, what is the progress? Has everything been removed and cleared off, I mean from other parts of the buildings?

MR. I. TUDREU.- Madam Deputy Chair, 96 percent of our visitors come through our airports. Can you imagine if they were exposed to this kind of risk? We want to share with the Honourable Committee that asbestos removal has been done, post *TC Winston*. Thank you.

DEPUTY CHAIRPERSON.- Thank you and I believe you took utmost care and precautionary measures to do that.

Question No. 11: that has been answered already – the Vanuabalavu fencing.

Question No. 12: When will the lights at the Labasa Airport be done to facilitate night flights. You have already mentioned about it as well, so we can skip that as well.

Moving onto **Question No. 13:** Whether the 2015 and 2016 annual report with audited accounts have been presented as required under the Public Enterprise Act or the Government?

MS. S. MISHRA.- Yes, we have already presented the 2016 Annual Report in August 2017 at the Annual General Meeting when we presented the dividends to the shareholders and also the 2015 Annual Report was presented in 2016 around July 2016.

I believe both have also been presented to Parliament.

DEPUTY CHAIRPERSON.- Thank you. So, basically those two questions have been answered.

Question No. 15: The last Dividend payment to Government was for which year and how much was it?

MR. V. NAIDU.- Thank you Madam Deputy Chair. The last dividend declared was \$45 million in 2017. This can be broken down into \$10.7 million as final dividend for 2016 and \$34.3 million as interim dividend for 2017.

DEPUTY CHAIRPERSON.- Any supplementary questions to that, Honourable Members?

Question No. 16: This amount of subsequent profits made by AFL, what was the amount? Alright, you cannot disclose that.

MR. V. NAIDU.- Yes, because it is currently under audit.

DEPUTY CHAIRPERSON.- Alright.

MR. V. NAIDU.- We can advise that the unaudited profits is \$18 million for 2017 which is much higher than 2016.

DEPUTY CHAIRPERSON.- Thank you, congratulation once again.

Question No.17: When will be the position of CEO be filled as it has been vacant for the last five years? How much savings have been made due to CEO's position being vacant? Whether the salary and perks of the Executive Chairman comes out from the CEO's salary allocation vote? When does the term of the Executive Chairman expire?

MR. A. SINGH.- Deputy Chair, if I may, interesting question and the main point that we would like to reiterate is we in management do not decide a lot of these things. I think the Honourable Committee would be aware that it is our main shareholder that decides. I draw your attention to Page 3 of the Annual Report which has the structure. Under the structure the Executive Chairman is the CEO and the Chairman for Fiji Airports. I would like to say that our GM positions, you will note, there are two GM positions. Previous structures had many more GMs. We have a more liner structure, very lateral structure with direct reports from individual line supervisors to

managers going right directly to the Executive Chairman as opposed to having a hierarchy type of structure where you go through a Manager, GM and then to a CEO.

So, a very lateral structure over the last four years up to \$8 million saved by not having that many GMs. Go local, that is the philosophy that we sometimes say. We say, “it is an international airport, expatriates may be the answer.” Our Executive Chairman has always been going on about empowering us locals. You will see Vinith here, myself here we are all coming up and addressing this Honourable Committee to come up and answer these questions. Executive Chairman, right now, I would like to state does not earn a single cent from AFL. Please note that he does not get a vehicle or other allowances from AFL. In fact under the agreement, Government has made AFL pay \$17,000 to Tropik Woods to borrow him for his time. Mind you, we are in awe about the way he is able to dedicate his time. We all take that as a challenge to try and improve ourselves, our performance to the same. Profit increased over the years.

DEPUTY CHAIRPERSON.- No doubt, he is doing a wonderful job.

MR. A. SINGH.- Thank you, Madam. The results are there.

DEPUTY CHAIRPERSON.- Obviously, thank you.

HON. S.V. RADRODRO.- Thank you, Deputy Chair. I believe the question is not so much on the person but on the organisational structure. An organisation structure for an organisation to have the Chair of the board as also the CEO. It is quite unique for this organisation to have that kind of arrangement. Other organisations like, I think we have just covered Fiji National Provident Fund (FNPF) which has separate roles. So, that is where the question has come in, in terms of the power structure, in terms of governance and that is why the question has been asked. I just want to make that clear. Is not on the person but it is on the position and it is on the structure of your organisation because I believe previously it used to have a CEO?

MR. A. SINGH.- That is right.

HON. S.V. RADRODRO.- So, the question is how has this change come about?

MR. I. TUDREU.- Deputy Chair and Honourable Members, we noticed the questions this afternoon relooking at numbers and now for structure. I think we need to move towards what is the performance of this model and it is working. Maybe we really need to think outside the box and if it is working for us and it is giving us the returns for our state and then I believe it is good to consider.

DEPUTY CHAIRPERSON.- I do agree with you, Mr. Tudreu, if the reforms and the restructure works, you make profits, it is beneficial to everyone, it is good.

HON. A.T. VADEI.- Thank you, Deputy Chair. In addition to that a supplementary question on the model of an organisation will give us an indicator of their performance and which one we will follow. That is what we want to ask. Which model are you following? Which model are you using, the Singaporean model or other models or whether it came out of the blue or because management is a different kind of quality.

MS. S. MISHRA.- I would like to add one thing. Regarding the CEO, we had a CEO appointed from New Zealand. When we were embarking on a project as big as Nadi Airport, the CEO decided to resign. At that same time the Chairman of the Board also resigned a few months later. Then we had an Acting CEO appointed to the position, he resigned in 2013. The Nadi Airport Project was quite a big project for AFL and we needed it to finish it off as smoothly as possible. We have done it. It was through the Executive Chair's leadership and the board's guidance on that.

HON. S.V. RADRODRO.- Madam Deputy Chair, I have another question. There is a comment here that the Executive Chair does not personally earn salary and perks and does not even have an employment contract with Fiji Airports then how is he being remunerated?

MR. V. NAIDU.- Honourable Member, if you note he is based with Tropik Woods and we loaned him for \$17,000.

DEPUTY CHAIRPERSON.- So, you are paying that \$17,000 to Tropik Woods?

MR. V. NAIDU.- We pay that to Tropik Woods.

HON. S.V. RADRODRO.- Which means his remunerations still remains with Tropik Woods?

MR. V. NAIDU.- Yes, Honourable Member.

HON. S.V. RADRODRO.- Thank you.

DEPUTY CHAIRPERSON.- Well, that is something great.

Question No. 19: Why there is a delay in introducing the PBCS system or if there is a delay?

MR. I. TUDREU.- Deputy Chair, may I answer, there has been no delay. On Thursday, 29th March, 2018 at midday, we launched with this International Requirement.

DEPUTY CHAIRPERSON.- Thank you. Question No. 20 - Just one more question, on you safety database, would you like to brief the Committee on your Safety Performance Targets, you refer to Page 13.

MR. I. TUDREU.- Certainly, AFL does not have its own ruler to measure its safety performance. We aspire to meet international standards. This has been shared down with us with the Civil Aviation Authority of Fiji that has published safety standards which also outlines target levels of safety be it operational or be it reliability of our facilities. So, for operational enablers we have those data and for facilities, Deputy Chair, for aviation you cannot afford to have an equipment that does not need 99.999 percent reliability. That goes down to even the power setting that we have there. To share with you, we have 15 power centres in Nadi. Whilst we have challenges over Easter because of the power that was to be supplied to us, aircrafts still operated through our airports because we had to meet the target levels of safety with regards to our alignment with Civil Aviation standards.

But in saying that right now, we have an Aerodrome Safety Action Group that is meeting in Nadi to talk about all risks that could be there with our 15 aerodromes including our two international airports. So, we have a monthly Safety Action Group. We have a quarterly Executive Action Group. Aviation is risk-based. We cannot afford any error in our performance. So, in as far as safety may I just share, safety is our top priority.

DEPUTY CHAIRPERSON.- Thank you Members for your questions and of course thank you AFL team comprising of Madam Sanjana Mishra, Senior Financial Accountant, Mr. Vineet Naidu, Principal Project and Financial Analyst, Mr. Amit Singh, CO Head Operations - Air Traffic Management, Mr. Christopher Chand and of course Mr. Isei Tudreu the General Manager thank you for all your answers and clarifications to the question. We are sorry we sent our question a little bit late but like I have explained, before we never used to send the questions but now just to ease your load, we sent you the questions.

Once again congratulations on your good work and your achievements and please keep up with the good job.

MS. S. MISHRA.- Thank you, Deputy Chair and Honourable Members of the Standing Committee of Social Affairs. We hope we have fully answered all your queries today and we would like to thank you again for giving us this opportunity to come and present our 2016 Annual Report.

DEPUTY CHAIRPERSON.- *Vinaka vakalevu.* Have a safe trip back to Nadi.

The Committee adjourned at 3:42 p.m.

APPENDIX 4: RESEARCH ANNUAL REPORT SUMMARY – AFL 2016 ANNUAL REPORT

PARLIAMENT OF THE REPUBLIC OF FIJI Research and Library Services		Annual Report Summary 2016/17
<p>Annual Report Summary-Airports Fiji Limited (AFL) 2016 Standing Committee on Social Affairs</p>		
<p>Vision-“To be the world’s leading small international airport and air traffic management service provider whilst protecting our heritage” Mission-“To ensure world class airports and air traffic management facilities and services in the Fiji Islands that are managed in a safe, secure and efficient manner that meets ICAO standards, exceeds customer expectations and provide a fair return on Shareholder’s funds”</p>		
	2016	MPs Comments
Principal Activity	<p>AFL owns and operates Nadi International Airport and manages Nausori Airport and 13 other domestic outer island airports on behalf of Government.</p> <p>AFL also provides Air Traffic Management (ATM) services in the Nadi Flight Information Region (Nadi FIR). This includes the air space of Fiji, Tuvalu, New Caledonia, Kiribati and Vanuatu, covering an area of 6.0 million square kilometres.</p> <p>AFL’s core responsibilities are to:</p> <ul style="list-style-type: none"> Efficiently and in a regulatory compliant manner carry out international, domestic and outer island airport operations. Efficiently and in a regulatory compliant manner carry out Air Traffic Management in the Nadi Flight Information Region and Fiji’s airspace. Provide world class duty free shopping experiences to our passengers. Provide reasonable returns to our shareholder in line with its level of investment. Continually invest and develop our ATM facilities, terminal and airfield pavement infrastructure to world class standards. 	
Act in place	Public Enterprise Act 1996	
Organization structure	<p>The Company reports to the Attorney General and Minister for Economy, Public Enterprises, Civil Service & Communications for its commercial performance and Civil Aviation policy matters.</p> <p>As at 31st December 2016, the Board comprised of the Executive Chairman and three non-executive independent directors.</p>	
<p>Prepared by Shobhna Rani Email: shobna.rani@govnet.gov.fj 29 March 2018</p>		

PARLIAMENT OF THE REPUBLIC OF FIJI Research and Library Services		Annual Report Summary 2016/17																					
	<p>Executive Chairman</p> <p style="text-align: center;">↓ ↘</p> <p>4 Divisions (Commercial, Human Resource, Finance & Safety & Risk Management)</p> <p>General Manager Air Traffic Management & Operations : 6 Divisions General Manager Asset Management & Maintenance: 6 Divisions</p>																						
Projects/Achievements	<ul style="list-style-type: none"> In 2016, AFL recorded a net operating profit before tax of \$65.86m. Nadi International Airport became the 1st Airport in the South Pacific to achieve Airports Council International (ACI) Level 1 carbon accreditation. Declared \$30m dividends last year for the financial year 2015 and 2016 (interim). Building new terminals in Koro and Vanualevu within a year after TC Winston devastation. AFL contributed \$909,126 as further support to the Fijian People through the Prime Minister’s National Disaster Relief and Rehabilitation Fund for TC Winston damages. Nadi Airport Terminal Modernization Project (NATMP) – the strategies and approach taken by the Board to manage the cost and qualitative outcomes of NATMP, and the ongoing monitoring of it to close the project at \$132m. Upon completion of the project, an independent study was undertaken to benchmark the 28,000 square meters of terminal upgrade at Nadi with actual results of 10 Australian airport terminal upgrades. The result of this study was that an airport terminal upgrade of this size in Australia would cost an estimated \$241m with a high range of \$289m. Finalized terms of engagement with a contractor to build a sealed Rotuma runway. Budget set after base contract rigor through competition is \$13m with \$2.3m given in grants by Government and \$10.7m being AFL’s contribution as a Government Owned Entity. Runway lights for night landing in Labasa also being undertaken. With so many stakeholders operating our airports – AFL, ATS, Airlines, Customs, Immigration, Aviation Security, Biosecurity, Health & Police; A Collaborative Operations Group (COG) has been set up to move away from the blame game to working collaboratively together to identify problems and finding solutions. 																						
Financial Position (Company’s)	<table border="1"> <thead> <tr> <th></th> <th>2016 \$m</th> <th>2015 \$m</th> </tr> </thead> <tbody> <tr> <td>Total Revenue</td> <td>118.1</td> <td>92.6</td> </tr> <tr> <td>Total Expenses</td> <td>43.1</td> <td>48.3</td> </tr> <tr> <td>Total Assets</td> <td>301.9</td> <td>253.3</td> </tr> <tr> <td>Total Liabilities</td> <td>99.2</td> <td>70.1</td> </tr> <tr> <td>Net Assets/Shareholders Equity</td> <td>202.6</td> <td>183.2</td> </tr> <tr> <td>Dividends Paid</td> <td>30.0</td> <td>15.0</td> </tr> </tbody> </table>		2016 \$m	2015 \$m	Total Revenue	118.1	92.6	Total Expenses	43.1	48.3	Total Assets	301.9	253.3	Total Liabilities	99.2	70.1	Net Assets/Shareholders Equity	202.6	183.2	Dividends Paid	30.0	15.0	
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	Total Comprehensive Income for the year, net of tax	49.5	25.1	
Audit Opinion	<p>The Office of the Auditor General has audited the financial statements of Airports Fiji Limited, which comprises the statement of financial position as at 31 December 2016, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended, and notes to the financial statements, including a summary of significant accounting policies.</p> <p>In the Auditor's opinion, the accompanying financial statements give a true and fair view of the financial position of AFL as at 31 December 2016, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).</p>			
Gender Analysis	<p>Out of the 20 members in the Management Team, there are 2 females: Senior Financial Accountant/Board Secretary and Manager Human Resources.</p> <p>No other gender analysis has been provided.</p>			

29 March 2018

Disclaimer

The Annual Report Summary was prepared to assist the Standing Committee on Social Affairs in its review of the Airports Fiji Limited 2016 Annual Report. Although every effort has been made to ensure accuracy, it should not be taken as a complete or authoritative guide to the Report. The Research and Library Team shall not be liable for any errors or omissions, or for any loss or damage of any kind arising from its use, and may remove, vary or amend any information at any time without prior notice. The Research and Library Team accepts no responsibility for any references or links to, or the content of, information maintained by third parties. Other sources should be consulted in the review of the Report.

Prepared by Shobhna Rani Email: shobhna_rani@parliament.gov.fj, 29 March 2018