

APPENDICES

Appendix One

Written Response by Fiji Airports

2017 FIJI AIRPORTS ANNUAL REPORT CLARIFICATION

QUERY	RESPONSE
1. Brief the committee on the functions of Fiji Airports.	• Carry out international, domestic and outer island Airport Operations; maintain and manage infrastructure assets under safe, reliable and efficient best practice principles. • Carry out Air Traffic Management (ATM) in the Nadi Flight Information Region and Fiji's Upper Airspace of 6 million square kilometres. • Provide world class customer experiences to our passengers. • Provide reasonable returns to our shareholders. • Continually invest and develop our ATM facilities, terminal and airfield pavement infrastructure to safe, reliable and world class standards.
2. Inform the committee on the key challenges Fiji Airports faces whilst trying to achieve its strategic objectives and how it is planning to overcome these challenges.	Our current key challenge is that the global aviation sector was immediately affected by the COVID-19 pandemic due to the closure of international borders. This has caused major disruptions to global travel bringing the Aviation Industry to an effective halt. Even after recovery, all projections indicate that it will take 2-3 years for passenger numbers to return to last year's level. We are looking at 2023 to return to 2019 levels. In addition there is a significant bad debt risk to Fiji Airports if airlines go down. For example, Virgin Australia owes us around \$700,000 and has gone under administration. We have filed proof of our debt with the Administrators. We are also having difficulties in recovery with some airlines delaying payment. Whilst revenue has significantly declined it is difficult to reduce fixed costs. Yet we have worked tirelessly since mid-March and negotiated with suppliers and contractors to significantly cut costs whilst maintaining our core capacities. Whilst domestic travel has resumed from end of April, Fiji Airports has heavily subsidized domestic travel. To put in context for each landing at any of our runways, a twin otter pays \$15.18; ATR 42 - \$78.28; and ATR 72 - \$94.76. In addition domestic passengers pay \$5.00 VEP per ticket. In a day we currently process about a dozen domestic scheduled flight landings earning a gross revenue of about \$1,000. This means that more pressure is put on Fiji Airports finances when we are predominantly running just the domestic operations. The domestic charges was due for a review this year. This review cannot happen soon enough. Fiji Airports business is built on a self-sufficient model since 2016 with zero taxpayer funding to run or develop even the loss making airports. Attached and marked Appendix A and B are cash flow tables that show the net cash flow deficit of \$18.9m and \$30m for operations and capital works of the 14 loss making airports in 2018 and 2019 respectively.

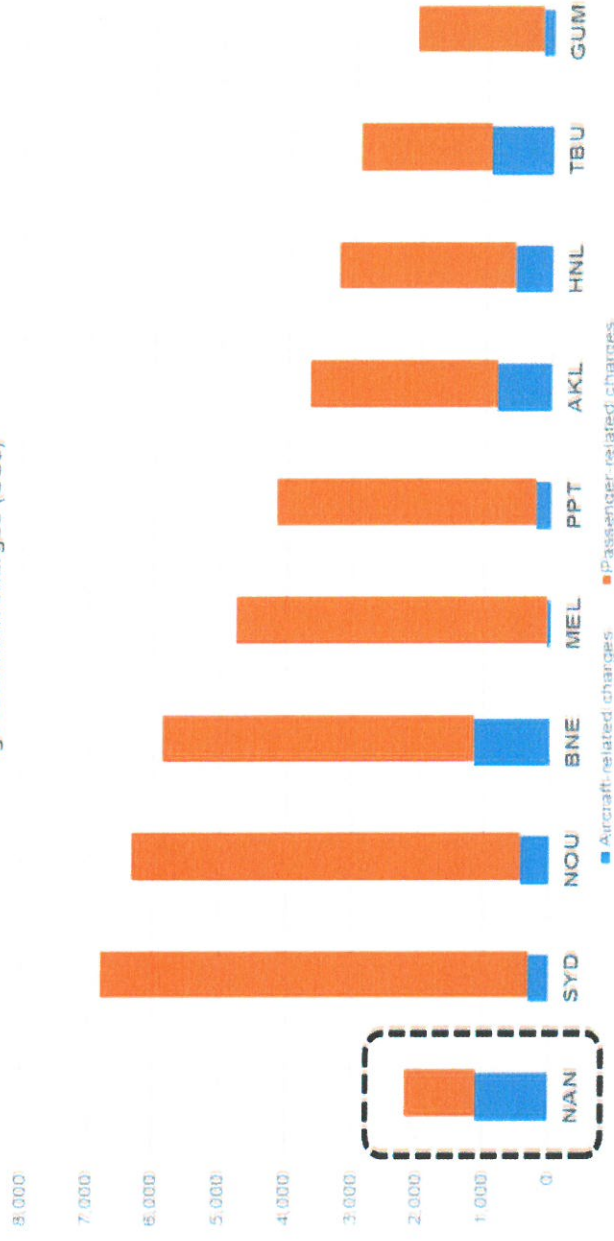
QUERY	RESPONSE
	Note:- due to the financial impact of Covid-19, Fiji Airports has suspended all new future capital works projects that were planned, barring current engagements.
3. How does Fiji Airports ensure that both male and female employees are treated equally in recruitment, training, hiring and promotion?	Fiji Airports' philosophy is that we are gender blind when it comes to recruitment, training, hiring and promotion. We believe in providing equal opportunities. The percentage of women has increased and now makes up 20% of our workforce. In some departments we have legacy issues such as fire, building and civils works, engineering and security. On some of these jobs when we put out an advertisement we don't get a single female applicant. Yet we try to promote females to apply. Due to this drive, in Air Traffic Management women today make up more than 40% of staff numbers. ATM is a highly specialized field and the increasing women in this department is evidence of this 'gender blind' philosophy.
4. Provide us with the staffing complement at Fiji Airports in 2017 and the percentage of women who were in managerial positions.	The total staff in 2017 was 525 and 20% of this were women. Fiji Airports has women in some of the most critical positions of the organization including the Financial Controller who heads the Finance department. She oversees the finances of the entire organization. In 2017, the Human Resources Manager position was held by a woman overseeing more than 500 staff. Our ongoing succession planning will see more women taking up Management positions. Apart from these positions Fiji Airports has a number of female staff in key supervisory roles. As mentioned in question 3 above, these include highly specialized departments such as the Air Traffic Management department. Fiji Airports has departments that have been traditionally male dominated e.g Fire fighting, Engineering, Building and Civil Works and Security. Women rarely apply for these positions. However it is encouraging to note the increasing number of women in our workforce.
5. Does Fiji Airports align itself to any of the Sustainable Development Goals? If so, can you further enlighten the Committee on this?	We understand that the national development plans are the primary instrument to drive forward SDG's implementation. The SDG's are therefore integral to our business objectives and development plans. As a state owned company which actively supports the aviation infrastructure development components of the National Development Plan, our staff members are keenly aware of our firm's contributions and partnership in these goals. As an example the completion of the Rotuma Runway, and the Nausori Runway extension and upgrade are well understood. It is not driven by short term financial business cases but by the long term economic opportunities that such projects provide to the nation. However, to be sustainable there is an imminent need for increasing the landing fees and passenger charges so that Fiji Airports can provide these services to the

QUERY	RESPONSE
	Fijians year in year out.
6. Update the committee on Fiji Airport's future plans and initiatives.	The Nadi Airport Masterplan was developed and completed. It defines the intended development of Nadi Airport over the next 25 years based on forecast growth in passenger demand. This program of works is presently impacted by the COVID-19 collapse in passenger numbers, however provides a clear development plan linked to passenger demand and growth to be implemented at the appropriate time in future. Note:- currently all new projects are put on hold indefinitely. Fiji Airports is proud to have received the ACI Level 3 Airport Carbon Accreditation for Nadi. We continue to develop new energy efficiency initiatives and are currently looking at ways to progress solar PV system for the Nadi Airport Terminal to further mitigate our carbon emissions. Our future objective is to achieve Level 3+ as a carbon neutral airport.
7. What structural reforms have been undertaken at Fiji Airports to increase operational efficiency?	Fiji Airports has undertaken significant cost and revenue reforms. We are benchmarked and recognized as a low cost and efficient company in airport operations. Our landing and airport charges when benchmarked internationally is one of the lowest in the world. Please see excerpts of a table providing airport passenger and aircraft related charges by Airports Council International:

QUERY

RESPONSE

Chart 9: Charges benchmark for selected airports in the Pacific region excluding government charges (US\$)



Source: Latest available published schedules of charges, ICAO's Tariffs for Airports and Air Navigation Services (Dec 2020).

Our culture of continuous improvement means that we strive for efficiencies across the company. The current COVID 19 crisis has highlighted opportunities for further efficiencies and current efforts are continuing on the following:

- Collocation of support and engineering functions to improve operational efficiencies.
- Establishment of a Project Management Office.

8. Provide information on the current Board of Directors and the shareholders of Fiji Airports.

Chairman of Board Directors - Mr Geoffrey Shaw
Board Member – Ratu Williams Katonivere
Fiji Airports is a 100% Government owned Commercial Company.

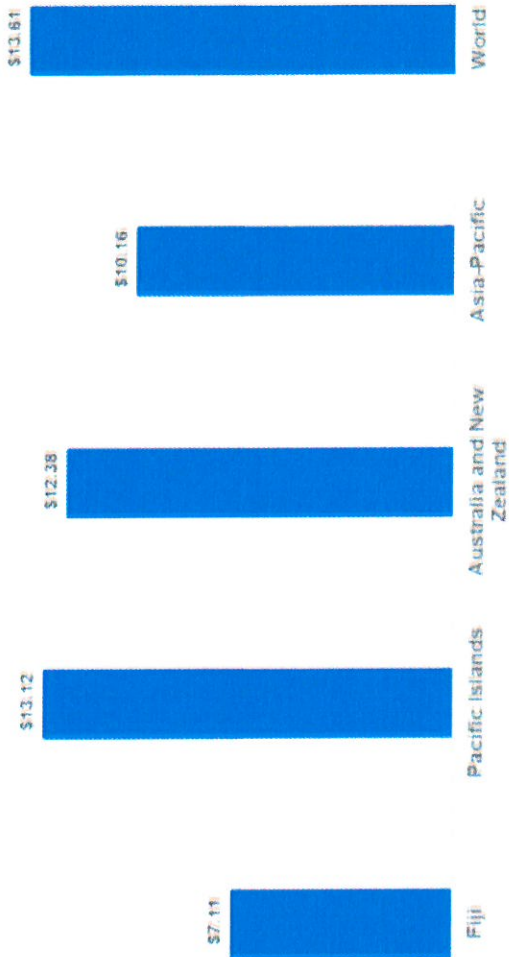
QUERY	RESPONSE
9. What progress has been made on the following project works carried out by Fiji Airports: a. Nausori Runway Extension	The Nausori Runway Extension and Upgrade is 43% complete with works scheduled for completion in June 2021.
b. Rotuma Runway Upgrade	Works were completed in 2018 and opened by the Hon. Prime Minister. The new runway has enabled scheduled flights to Rotuma via the larger ATR aircraft instead of twin otters – carrying potentially 70 passengers at a time instead of 7. However, frequency of flights has not increased – with 1 flight still scheduled per week. In order to achieve the intended benefit from this significant investment of \$13m, at least 2 flights per week are required. This will allow people to go to Rotuma and return within 3 to 4 days. Currently people have to wait for at least a week and this is seen as an impediment to growth and optimization of the runway investment.  Figure 1 Rotuma Runway Opening
10. When will the night flights in	All capital infrastructure works to enable the night flights were completed by Fiji Airports by the end of 2018. CAAF has certified the

QUERY	RESPONSE
Labasa commence and what further improvements are being carried out at the Labasa airport?	runway for night landing. Works commenced in 2017 through a ground breaking attended by all key stakeholders with an objective to undertake night landing. Fiji Link was working on doing safety cases for night landing prior to Covid-19. Labasa Runway is to be resurfaced in July 2020 following travel restrictions being lifted. At the same time the Apron will be expanded and rebuilt to cater for the larger ATR aircrafts. This will improve apron congestion and enable greater concurrent aircraft movements. The terminal expansion is put on hold on subject to review of fees and charges and C-19 financial impact.
11. What progress has been made on the development of the 13 Outer Island Airports as part of the Fiji Airports' 7 year development plan?	Rotuma runway has been upgraded, the airfield maintenance upgrades to the balance of the airfields (refer responses to 10 and 12) have been completed. Further significant capital works are unlikely to proceed based on the very low landing charges (refer to response 2) and current financial constraints due to C-19.
12. Provide an update on whether the planned maintenance works to the 13 outer island airports as highlighted on Pages 16 and 17 of the Annual Report, have been completed.	Vunisea (Kadavu) Airstrip Rehabilitation, Lakeba Airstrip Runway SEST treatment and Bureta (Levuka) Airstrip Reseal have all been completed successfully. Please see attached pictures.

QUERY		RESPONSE		
				
		Upgraded Lakeba Airport	Upgraded Bureta Runway	Upgraded Vunisea Runway
		Labasa runway and apron upgrades (refer response item 10) are to proceed in the next two months following the resumption of inter-island travel.		
13. Nadi Airport Terminal Modernisation Project:				
a. Provide us with a detailed report on the Project amounting to \$129 million.	The NATMP project involved the refurbishment, upgrade and expansion of every square inch of the entire existing terminal building, associated entry roads and car parks. The works involve complete services replacement across the terminal facilities including Airconditioning Chillers, Lifts and Escalators, Fire systems, carousels, self check-in kiosks etc. and involves significant structural extensions and a complete interiors refurbishment and replacement across the operational 25000m2 facility with a completed terminal footprint of 28000m2. A breakdown of project costs is as follows:			

QUERY	RESPONSE																						
	<table border="1"> <thead> <tr> <th>DESCRIPTION</th><th>COST</th></tr> </thead> <tbody> <tr> <td>AFL Overheads</td><td>FJD 2,312,940</td></tr> <tr> <td>Professional Services</td><td>FJD 12,000,066</td></tr> <tr> <td>Early Works</td><td>FJD 2,201,614</td></tr> <tr> <td>Construction</td><td>FJD 98,353,706</td></tr> <tr> <td>Provisional Sums</td><td>FJD 6,458,257</td></tr> <tr> <td>Major Equipment and FF&E</td><td>FJD 6,467,546</td></tr> <tr> <td>AFL Equipment & Temp Relocation</td><td>FJD 2,267,913</td></tr> <tr> <td>Domestic Terminal Relocation</td><td>FJD 669,932</td></tr> <tr> <td>Duty Concession</td><td>-FJD 1,428,944</td></tr> <tr> <td>Total</td><td>FJD 129,303,029</td></tr> </tbody> </table> Works included additional insurance repair post TC Winston (\$1.8m).	DESCRIPTION	COST	AFL Overheads	FJD 2,312,940	Professional Services	FJD 12,000,066	Early Works	FJD 2,201,614	Construction	FJD 98,353,706	Provisional Sums	FJD 6,458,257	Major Equipment and FF&E	FJD 6,467,546	AFL Equipment & Temp Relocation	FJD 2,267,913	Domestic Terminal Relocation	FJD 669,932	Duty Concession	-FJD 1,428,944	Total	FJD 129,303,029
DESCRIPTION	COST																						
AFL Overheads	FJD 2,312,940																						
Professional Services	FJD 12,000,066																						
Early Works	FJD 2,201,614																						
Construction	FJD 98,353,706																						
Provisional Sums	FJD 6,458,257																						
Major Equipment and FF&E	FJD 6,467,546																						
AFL Equipment & Temp Relocation	FJD 2,267,913																						
Domestic Terminal Relocation	FJD 669,932																						
Duty Concession	-FJD 1,428,944																						
Total	FJD 129,303,029																						
b. In undertaking the Project, we note that Fiji Airports faced challenges in building whilst continuing to operate and that old buildings had to be upgraded without proper drawings or master planning. Inform us on how Fiji Airports overcame these challenges.	Detailed existing building condition assessments were first undertaken to understand the risks. Based on that understanding we came up with effective design responses. These designs were then integrated into a building methodology and works program. The works program was developed through very detailed planning of the works including staging plans which ensured operational continuity. The program was also designed to reduce operational risks associated with the works. As Nadi International Airport is integral to the nation and its tourism sector, we could not shut down the airport to build. A construction disaster from a collapsed building or health and safety issues such as injuries to passengers, could have very well forced a closure of the airport. We had to meticulously plan and implement the plan on a daily basis. Extensive stakeholder engagement throughout the design and construction process kept all parties fully informed as to project status and specific staging requirements.																						
c. We also note that many senior management left during the time of	Whilst both the former CEO and Chair left in 2012, and another acting CEO left in 2013, much of the Fiji Airport's key project																						

QUERY	RESPONSE
the Project as a result of the many risks associated with its successful completion. Inform us on the impact this had on the Project and the daily operations of the Fiji Airports and the strategies used to address this issue.	management staff and those of the project management and design team remained throughout the project. From 2013, as the Executive Chairman Faiz Khan performed the role of senior management who had departed and ensured continuity throughout. Project friction was continually managed and resolved to ensure progress and completion. The Project Control Group comprising Fiji Airports team, the consultant team and the contractor frequently met formally. This provided a forum to communicate many project issues at executive level and to document these issues for reference purposes. In addition, weekly project updates and briefings with Fiji Airports and all the operational stakeholders were held such that staging plans and their impacts on airport operations were well communicated and understood by all parties.
d. Detail the tender process undertaken to acquire services for infrastructural upgrade.	Expressions of Interest were sought for capable contractors and suitably qualified firms then responded. Based on the EOI submissions, tenderers were short listed and a tender issued. Following tenders received in closed tender boxes, three bidders were further shortlisted and subjected to post tender interviews and negotiations. A thorough evaluation of all tenders was performed in line with governance and FA philosophy of value for money procurement. A recommendation was then made to the board for approval.
e. Were there any breaches of contract for the upgrade works in the duration of the Project? If so, what appropriate actions were taken by Fiji Airports?	In any project the contract has to be administered. An independent project management company in Thinc managed and administered the contract with any disputes arising out of it, in conjunction with Fiji Airports.
14. The Airports Council International, through a study, found that Fiji Airports cost was USD \$8 per pax as compared to USD \$14 per pax for other Pacific Island Airports and the global average. For comparison, provide a list of the cost per	Due to confidentiality reasons ACI report does not give data for individual airports. Please refer to table below where data is classified into Pacific Islands (all airports within); Australia / NZ; Asia / Pacific and World.

QUERY	RESPONSE												
passenger for the other Pacific Island airports.	Chart 37: Total cost per passenger: high-level perspective (US\$, 2016)  <table border="1"> <thead> <tr> <th>Region</th> <th>Total cost per passenger (US\$, 2016)</th> </tr> </thead> <tbody> <tr> <td>Fiji</td> <td>\$7.11</td> </tr> <tr> <td>Pacific Islands</td> <td>\$13.12</td> </tr> <tr> <td>Australia and New Zealand</td> <td>\$12.38</td> </tr> <tr> <td>Asia-Pacific</td> <td>\$10.16</td> </tr> <tr> <td>World</td> <td>\$13.61</td> </tr> </tbody> </table> Source: ACI Airport Economics Database, 2015. FA was recognized by Airports Council International (ACI) for it's very good overall cost competitiveness and cost management in the region both in terms of operating expenditure and capital expenditure. The benchmark also showed that while from 2011 to 2016 Total cost per passenger in the Pacific was increasing at an average of 2%, Fiji Airports had an average decrease in cost per passenger of 4.4%:- "such cost figures testify to the efficient cost management of Fiji airports" – Airports Council International	Region	Total cost per passenger (US\$, 2016)	Fiji	\$7.11	Pacific Islands	\$13.12	Australia and New Zealand	\$12.38	Asia-Pacific	\$10.16	World	\$13.61
Region	Total cost per passenger (US\$, 2016)												
Fiji	\$7.11												
Pacific Islands	\$13.12												
Australia and New Zealand	\$12.38												
Asia-Pacific	\$10.16												
World	\$13.61												

QUERY	RESPONSE
15. On lifting service delivery to world class standards, the Executive Chairman, in his foreword, made an assessment that Fiji Airports had achieved 65% out of 80% targets, with the other 20% dedicated to room for improvement. What plans are in place for Fiji Airports to achieve the full 80% target in the next few years?	Our service delivery is an evolving process to meet technological change and stakeholder demands. The percentages are given metaphorically as opposed to literally to mean that we must embrace a culture of continuous improvement for service delivery and for everything else that we do.
16. The committee notes that in 2017, Fiji Airports' total profit and loss cost as a percentage of revenue was 43%. Outline how FA controls its expenses.	Fiji Airports focuses on value for money expenditure in our decision making. Costs are incurred only where they are necessary or where they derive value. Expenses need to be supported by a suitable business case. Approvals are based on satisfaction of governance requirements.
17. As an Air Navigation Service Provider, how has Fiji Airports continued to upgrade its aging infrastructure for the continuous provision of safe air navigation in its Flight Information Region?	Fiji Airports continues to invest in the necessary capital infrastructure for the continuous provision of safe air navigation in the Nadi Flight Information Region. The upgrade of the Aurora Air Traffic Management system provided by Adacel will ensure improved safety and efficiency of our Air Traffic Management Services over the next ten years. Fiji has also implemented the ICAO Common Regional VPN (CRV) project as a pioneer state with Australia, New Zealand & USA in the APAC region. Fiji is now exchanging voice and data services over this network improving service delivery. CRV will become the network infrastructure for the new SWIM (System Wide Information Management) technology.
18. Air Safety: a. We note that Fiji is the first country globally to transit from a wholly procedural system of air	The transition from a purely Procedural Air Traffic Control System to a Surveillance Control System using ADS-B is currently underway. We expect Surveillance Control Service to be online by January 2021.

QUERY	RESPONSE
traffic control to a satellite based air traffic management system in domestic airspace. Inform us on the success of this transition.	
b. How have the benefits of signing a contract with ADACEL to progress the above project been realized?	The ADACEL project is now scheduled to be operational in September 2020. Training of staff on the associated systems and the commissioning of the equipment are progressing. The final go live date has been delayed due to COVID-19 travel restrictions to enable offshore experts to attend during the system implementation.
19. How has Fiji Airports dealt with the challenges faced in the acquisition of land for future growth of the airside and landside capacity of the Nadi International Airport? Is this an issue faced by other airports around the country?	Land acquisition is a lengthy process. Fiji Airports has been progressing a long term strategy associated with aligning our airport development plans and our land holdings. This process takes several years and requires significant foresight to future proof the land holdings to meet these development needs. The unfortunate reality for Nadi Airport is that Fiji Airports had been directed to release certain land to other users in the past. The surrender of valuable land has taken place in all 4 corners of the Nadi Airport precinct. These actions now place constraints on the potential development options for Nadi Airport. The Nadi Airport masterplan specifically addresses these land constraints and provides for a sustainable development outcome that progressively develops Nadi Airport. It requires re-acquisition of some land earlier given away. At Nausori Airport in 2018 we acquired land to enable the future (beyond the current expansion) runway extension to accommodate Code E aircraft (eg A330, A350) which is expected to be required in approximately 30 years. At Labasa Airport we have acquired land to accommodate a realignment of the entry road.
20. Page 18 of Annual Report: a. Provide further information on the determination of the Maximum Certified Take-Off Weight (MCTOW) for our International, Domestic and Regional Airports.	The Maximum Certified Take-Off Weight (MCTOW) of an aircraft is the maximum weight at which the pilot is allowed to attempt to take off, due to structural or other limits. MCTOW is the heaviest weight at which the aircraft has been shown to meet all the airworthiness requirements applicable to it. MCTOW of an aircraft is fixed and does not vary with altitude, air temperature, or the length of the runway to be used for takeoff or landing.

QUERY	RESPONSE
	These MCTOW's are maintained on Civil Aviation regulatory databases such as Aircraft Register maintained by the Civil Aviation Authority of Fiji.
Financial Statements for the Year Ended 31 December 2017	
21. The Auditor-General expressed an Emphasis of Matter in respect of Notes 2 and 3 (g) of the financial statements. Inform us on whether this issue has been resolved.	This matter is in relation to government grant policy received in the years 2010 – 2015 and was based on the Ministry of Public Enterprise circular, which was not in compliance with International Accounting Standard (IAS 20). This matter raised relating to IAS 20 is out of the scope of the Company to resolve. The resolution of this would happen through a Government directive/ circular specifically stating that: The treatment of Government grants received in the years 2010 to 2015 shall be treated according to IAS 20. The existence of this matter arises due to compliance with a Government circular received from the Ministry of Public Enterprise dated 14 March 2013 stating that all government companies, like Fiji Airports were to treat any funds received after 2010 as capital contribution and not as deferred income. This treatment was not IFRS compliant. In April 2016, the Ministry issued a circular stating that "Treatment of Government Grant" received from March 2016 onwards was to be IFRS compliant and to be applied henceforth. However, it did not provide any changes to the treatment of grants received between 2010-2015. <i>Therefore, only with the Ministry's directive this matter can be resolved. This directive / circular will therefore supersede the previous circular that introduced the original change.</i>
22. Page 48 of Annual Report (Note 5 - Other Expenses) - Provide a breakdown of the "Bad Debts"	The contract to design and build a new terminal in Savusavu was awarded to Pacific Affordable Homes in 2010. The contract went into dispute due to quality and payment issues.

QUERY	RESPONSE
accrued in 2017 amounting to \$124,050.	A performance bond of \$75,000 was paid by the contractor for this project and has been cashed out by FA. Payment for phizon panels and materials to Pacific Affordable Homes of \$199,050 was made without proper records of delivery of goods on site that led to a dispute. The present management had to correct these through a legal action against the contractor, Pacific Affordable Homes, which ultimately resulted in the contract being terminated in July 2017. However, with the death of the Pacific Affordable Homes owner and after exhausting avenues for possible recovery the case was discontinued and the difference of \$124,050 was recognized as bad debts.
23. Provided on the following pages are extracts from the National Development Plan (NDP) 2017-2021 on the planned Programmes and Projects of Fiji Airports (then Airports Fiji Limited). Inform us on whether the Annual targets set out for Fiji Airports were achieved for the following years:	
• 2017-2018 financial year	Domestic • Construction of an Airport In Vanua Levu – pending government direction and decision, Fiji Airports currently assisting in a World Bank study on an alternative site in Vanua Levu. • Rotuma Airport upgrade (completed 2019). • Matei Airport Upgrade - Delayed due to land acquisition; subject to fees and charges review; now further delayed due to C-19 financial impact). International • Nadi Terminal Modernization Project – completed. • Nadi Runway reseal and overlay maintenance - completed. • Nadi Apron pavement improvements Gates 9-G12 (deferred based on Nadi Airport Masterplan update meant that this scope would be impacted by terminal expansions) • Nadi RESA completed.
• 2018-2019 financial year	Domestic • Construction of an Airport In Vanua Levu – pending government direction and decision, Fiji Airports currently assisting in a World Bank study on an alternative site in Vanua Levu. • Matei Airport Upgrade (Delayed due to land acquisition; subject to fees and charges review; now further delayed due to C-19 financial impact). • Surveillance control in domestic airspace (implementation of ADS-B, MLAT) implementation through to 2020

QUERY	RESPONSE
	International - Expand Nadi Apron space (impacted by the Nadi Airport masterplan and works delayed to align the program of works) - Domestic terminal upgrade (impacted by the completion of the Nadi Airport masterplan and now C-19)). - New ILS and DME for Nadi and Nausori Airport. Nadi completed; Nausori to be completed concurrent to Runway extension and upgrade completion (June 2021)
2019-2020 financial year	Domestic - Construction of an Airport In Vanua Levu (new location). - Matei Airport Upgrade (Delayed due to land acquisition; subject to fees and charges review; now further delayed due to C-19 financial impact). International - Nadi Aprons Expansion (under construction completion expected 2021) - Domestic Terminal Upgrade (under design) on hold given COVID 19 impacts. - Walkway Upgrade (under design) on hold given COVID 19 impacts. - Nausori Airport upgrade- Runway 43% completion expected June 2021. - Nausori Terminal on hold given COVID 19 impacts. - Construction of International Transit Hotel in Nadi on hold given COVID 19 impacts. - Provide performance based navigation to Nausori (PBN), partially implemented with ILS pending and integrated into the surveillance ATM in third quarter 2020. - Aeronautical information management (AIM & System wide Information Management SWIM). Network has already been established in the Common Regional VPN to enable the AIM to be implemented in 2022 as per the amended ICAO timeline. ICAO timeline for implementation has moved to 2025 for SWIM.
In instances where scheduled projects were not completed in a timely manner, provide reasons for the delay and the measures put in place to ensure that all projects are completed as scheduled.	The schedule or program of all building, infrastructure and systems upgrade contracts are entered into subject to extensions of time related to various reasons such as weather, materials, third parties, acts of Gods, pandemics etc. In some instances projects will be delayed due to contractors. It is impossible to put in measures to ensure that all projects are completed as schedule. Instead we manage the contracts. In large projects we engage the services of independent project managers or engineers for such management whilst we continue to provide oversight. This is the best measure that can be put in. Note also, timeline for certain projects changes based on our constant planning and replanning. We may decide to delay or go ahead based on market conditions, whether pricing received is within budget etc. For example, some Nadi based projects have been deferred

QUERY	RESPONSE
	to align with the updated Nadi Airport Masterplan, with some now indefinitely put on hold due to C-19.

APPENDIX A

Airport	REVENUE	OPEX	CAPEX	DEFICIT
Nausori	4,146,698.00	7,885,106.24	5,452,115.45	- 9,190,523.69
Labasa	695,827.00	878,206.56	1,395,422.18	- 1,577,801.74
Savusavu	274,116.00	456,852.49	193,913.08	- 376,649.57
Matei	118,392.00	428,083.24	425,671.40	- 735,362.64
Kadavu	20,837.00	141,505.44	6,037.49	- 126,705.93
Rotuma	5,938.00	845,696.27	5,421,993.68	- 6,261,751.95
Vanuabalavu	2,559.00	90,923.93	-	- 88,364.93
Ono-I-Lau	15.00	24,658.00	-	- 24,643.00
Moala	2,496.00	100,354.36	-	- 97,858.36
Lakeba	3,684.00	100,056.14	6,037.49	- 102,409.63
Gau	1,824.00	64,602.19	-	- 62,778.19
Cicia	2,499.00	62,165.42	-	- 59,666.42
Bureta	10,839.00	138,048.24	6,037.49	- 133,246.73
Koro	1,843.00	71,892.22	-	- 70,049.22
Total	5,287,567.00	11,288,150.74	12,907,228.26	- 18,907,812.00

2019 - NAUSORI & OUTERSTATIONS

AIRPORT	REVENUE	OPEX	CAPEX	DEFICIT
Nausori	3,446,927	8,035,706	21,867,438	-26,456,216
Labasa	743,251	843,370	134,710	-234,828
Savusavu	265,865	454,273	72,296	-260,704
Matei	260,809	610,816	1,326	-351,333
Kadavu	21,726	139,125	18,422	-135,820
Rotuma	13,981	1,452,465	804,467	-2,242,951
Vanuabalavu	2,506	89,106	0	-86,600
Ono-I-Lau	10	26,036	0	-26,026
Moala	1,802	91,098	416	-89,712
Lakeba	3,879	105,677	33,062	-134,860
Gau	1,563	68,220	416	-67,073
Cicia	2,181	57,636	416	-55,871
Bureta	9,484	150,000	26,050	-166,566
Koro	1,414	73,253	0	-71,839
TOTAL	4,775,398	12,196,781	22,959,018	-30,380,401

Appendix Two

Supplementary Response

Fiji Airports Report

- 1. With reference to page 81 of the National Development Plan, as part of the programme to maintain and upgrade existing airstrips, works were scheduled for Gau Airport in the 2017-2018 fiscal year. Inform us on whether the project was completed.**

Since 2016 all outer island airport maintenance and upgrades have been undertaken by Fiji Airports in addition to the operational losses and without any business case. This undertaking was based on the international operations revenue subsidising the outer island and Nausori airports in a network type operations.

These projects were done simultaneously with other large projects in Nadi and Nausori.

With limited resources it is important to schedule projects based on needs and address safety concern.

The planned schedule had to be revised due to cyclone Winston and damages to the Koro and Vanuabalavu Terminals.

In the past four years the following Outer island airport projects have been delivered:

- Rotuma Airport chip seal runaway- \$13m
- Lakeba, Kadavu and Bureta Airport \$2.4m
- Koro and Vanuabalavu terminal upgrade - \$814k
- Labasa Night Lights - \$800k

Works in Progress:

- Nausori Runaway Expansion – currently underway - \$65m
- Labasa Runaway Apron works – construction works expected to start end June 2020.

FA had planned airstrip upgrade works for the following airports for the near future:

- Vanua Balavu
- Gau
- Moala
- Ono-i-Lau
- Cicia.

However as per our earlier responses, Fiji Airports business has come to a halt and international revenue has evaporated. We will need to re-strategize our future business plans and work accordingly. Fiji Airports is not in a position for the foreseeable future to undertake outer-island capital works that was voluntarily taken in 2016.

We have therefore sought from Government to revert to pre-2016 position where government is responsible for capital works grant for loss making assets. This position is same for Fiji Airways (subsidized outer island airfares); EFL (rural electrifications), etc.

SUPPLEMENTARY QUESTIONS – FIJI AIRPORTS 2017 ANNUAL REPORT

1. In relation to the significant bad debt risks to Fiji Airports:	
a) Provide a breakdown of the \$700,000 owed to FA by Virgin Australia.	Please refer Appendix A for details. The outstanding amounts are for Feb, March and April invoices. Fiji Airports has lodged our claim with the Virgin Administrators Deloitte Australia and awaiting outcome.
b) Provide a breakdown of the current doubtful debts of FA, showing the debtor and the amount owed.	The current (as at 31 December 2019) doubtful debts are calculated using the new IFRS 9 standards which was applicable from the financial year ended 2018. IFRS 9 replaces the 'incurred loss' model in IAS 39 (previously used) with an 'expected credit loss' (ECL) model. This involves using a provision matrix to calculate the provision for doubtful debts. The company engaged KPMG for this complex exercise during implementation. The 2019 doubtful debt figure is \$551,710. This is a theoretical figure based on pre calculated rates applied to different aging categories and is not debtor specific.
2. The following questions pertain to the COVID-19 pandemic and its financial impact on FA:	
a) What adjustments and relief measures has FA, in collaboration with the government, sought to implement to cushion the impact of COVID-19 on its operations?	Fiji Airports has provided discounts to our Nadi International Terminal tenants who rely on tourism arrivals or departures. These discounts cost Fiji Airports around \$3 million per month in foregone revenue. As advised earlier, we have restructured our capital expenditure program to exclude all new projects as Fiji Airports business cannot financially undertake them. Only projects in which Fiji Airports was already engaged in continue. We have had numerous negotiations with suppliers and taken extreme cost cutting measures in order to mitigate the fixed cost burden as best as possible. These cost cutting measures have resulted in reduction in costs of around \$22m for 9 months between April to December 2020. This is a great result in the circumstances as many fixed costs are difficult to reduce. However, it has to be stated that in relative terms these cost cutting measures are dwarfed by the loss of revenue for the same period of 9 months that is forecasted to be around \$100 million.

b) We note the declining revenue of FA as a result of the pandemic. In light of fixed costs and the contractual obligations of FA, how is the organisation servicing its loans and has the reduced revenue had an impact on the ability of FA to make repayments? Provide a breakdown of the current borrowings and loans of FA.	Fiji Airports has a loan from Westpac with a remaining balance of \$65.6m. FA is paying interest only payments in the sum of \$211k per month until September 2020, subject to review for further extension which will be applied for. Westpac is a key stakeholder in FA's business due to its significant financing and continues to require monthly updates on how the business is cutting costs and coping with this crisis.
c) Does FA have a financial contingency plan in place? Please elaborate.	One of Fiji Airports financial contingency plan was cost cutting measures as outlined in 2 (a). Should the impact of Covid – 19 prolong FA is in discussions with Westpac and ADB for further borrowings. Fiji Airports prudent financial management over the past 7 years has meant that FA has a good Balance sheet. Our Debt to EBITDA was 1.28 times in 2019 with IFRS 16 and IAS 12 related provisioning included and 0.87 times when the financial borrowings and creditors are included as debt (excluding IFRS 16 and IAS 12 provisionings). This low Debt to EBITDA ratio should allow FA to raise more debt if required. On the other hand, the EBITDA in 2020 will be very low, driving the Debt to EBITDA much higher at around 8.21 times. At the same time we will evaporate our reserves and our balance sheet will be significantly weakened. These factors will provide a challenge where we need to convince the financiers that 2020 results are one-off or temporary due to the C-19 pandemic and our business will recover in the next 3-5 years. That is why it very essential that we continue working hand in hand with our financiers in these testing times. The low Debt to EBITDA ratio until 2019 is particularly noteworthy considering ongoing investments in Nausori and 13 Outer islands' loss making airports.
d) Inform us on the lessons learnt from COVID-19 and what operational areas FA will be strengthening to be better prepared for future crises.	An important lesson from this Covid-19 crisis is that our business is at risk of sudden downturn through pandemics. However, the last pandemic of this magnitude, contagion and severity was the Spanish flu a century ago. Time will tell whether we will face such severe pandemics more frequently into the future. FA has in recent years built a good focus on cost management as acknowledged by the Airports Council International independent benchmarking study (details in our previous submission). These cost control

	measures and a good cost base has helped assist FA navigate through this current COVID crisis, thus far. If anything we will further enhance our cost control measures going forward, as at times like this our business has no control over the revenue – cost is the only factor that we can control that can mitigate the effects of such unprecedented crisis.
e) We note that due to the financial impact of COVID-19, FA has suspended all new future capital works projects that were planned, except contractual engagements. What has been the progress on formulating a recovery plan to complete the 7-year development plan to develop the 13 outer island airports and to complete other scheduled projects in the future?	The outer island airports do not have a business case now, and will never have one in future. Frequency of flights depends on people's demand. The airlines determine how often they fly based on demand. Many outer-island airports only have 1 scheduled flight a week. A twin otter size aircraft pays \$15.18 in landing every time it lands so that makes it the weekly gross income. Yet the cost of a chip seal runway similar to the one we did in Rotuma is around \$13-15 million. There is no need to go in detail financial analyses to understand and appreciate that there can never be a business case for outer-island airports. They are maintained and operated in light with Government's vision to provide connectivity to our people living in remote geographical islands in Fiji. This is not a challenge only for Fiji but for countries like Australia and New Zealand and the rest of the World for small regional or outer island airports. Until 31 December 2015, the Government was funding all capital works for outer island airports due to the fact that these airports do not have any business case for Fiji Airports. Fiji Airports was funding all operational costs at a significant loss as part of its social responsibility. For example the operational loss in 2015 was \$2.6m. Before the end of 2015 Fiji Airports wrote to our Ministry and offered to take the responsibility and burden of capital cost from 1 January 2016, based on our ability to deliver projects in cost efficient manner and the strengthening of our balance sheet. We accordingly took responsibility from 1 June 2016. This undertaking resulted in a \$13m chip seal runway delivered in Rotuma, Nausori runway works with \$29 m spent and a further \$35m in our books to complete the runway in Nausori; runway upgrades in Labasa, Kadavu, Lakeba, and Bureta costing 4.1m; terminal upgrades in Koro and Vanuabalavu costing 814k and many other improvements and upgrades in a span of 4 years. However, this undertaking was based on the international operations revenue subsidising the outer island and Nausori airports in a network type operations. The international revenue has dried up due to C-19 and our balance sheet weakened. Our business balance sheet may return to 2019 strength by 2025. Accordingly, we are in the process of writing to our Ministry and advising that we cannot continue with the undertaking of developing outer island airports, unless the Government approves funding from the national budget as was the case prior to 2016. The 7 year development plan for outer island airports will accordingly depend on Government funding for it.

	Other projects in Nadi will be subject to growth returning to pre-Covid levels, balance sheet position and Ministerial approval. It is forecasted that growth will return to pre-Covid 2019 levels in 2023, with balance sheet strength returning in 2025.																		
3. Are there plans to increase the frequency of flights to and from Rotuma and other domestic airports based on passenger demand?	This is a decision based on demand and Fiji Link. It is hoped that we get at least 2 flights per week to give little meaning to the \$13m investment on the chip seal runway.																		
4. Confirm whether due diligence was performed and a tender process carried out prior to awarding the contract to Pacific Affordable Homes in 2010 to design and build a new terminal in Savusavu.	Due diligence was performed based on the procurement policies of Fiji Airports at that time. The project was tendered in 2008. There were a total of 9 prospective construction companies for this project. There was a thorough evaluation and negotiation by the evaluation committee. Pacific Affordable homes had provided the most cost effective submission and met project lead times and therefore were awarded the tender.																		
5. We note that a new location has been identified for the construction of an airport in Vanua Levu. Can we be provided more information on the new location and whether land has been acquired for the construction?	A new location has not been identified. We are assisting Government and World Bank in the feasibility study.																		
6. We note the delay in completing upgrade works to the Matei Airport due to difficulty in finalising land acquisition. How does FA plan to resolve this issue which has been outstanding since 2017?	There has been an absence of amicable negotiation with the land acquisition despite numerous efforts. Compulsory acquisition is the next option, however other factors highlighted above in 2 (e) and review of landing fees are more critical to the decision on progressing works for Matei.																		
7. Provide a breakdown of the \$33.5 million revenue generated from "Concessions" in 2017.	<table border="1"> <thead> <tr> <th>DESCRIPTION</th><th>AMOUNT</th></tr> </thead> <tbody> <tr> <td>Core Duty Free</td><td>17,083,702</td></tr> <tr> <td>Inbound Big Tour Operators</td><td>714,497</td></tr> <tr> <td>Mobile Services</td><td>908,036</td></tr> <tr> <td>Banking Services</td><td>2,989,515</td></tr> <tr> <td>Specialty Retail</td><td>1,726,944</td></tr> <tr> <td>Rental Cars</td><td>693,700</td></tr> <tr> <td>Inbound Small Tour Operators</td><td>282,300</td></tr> <tr> <td>Food & Beverage</td><td>3,041,911</td></tr> </tbody> </table>	DESCRIPTION	AMOUNT	Core Duty Free	17,083,702	Inbound Big Tour Operators	714,497	Mobile Services	908,036	Banking Services	2,989,515	Specialty Retail	1,726,944	Rental Cars	693,700	Inbound Small Tour Operators	282,300	Food & Beverage	3,041,911
DESCRIPTION	AMOUNT																		
Core Duty Free	17,083,702																		
Inbound Big Tour Operators	714,497																		
Mobile Services	908,036																		
Banking Services	2,989,515																		
Specialty Retail	1,726,944																		
Rental Cars	693,700																		
Inbound Small Tour Operators	282,300																		
Food & Beverage	3,041,911																		

	<table border="1"> <tr> <td>Other Concession</td><td>1,013,197</td></tr> <tr> <td>Fuel Concession</td><td>4,571,682</td></tr> <tr> <td>Nausori Airport Concessions</td><td>518,202</td></tr> <tr> <td>Total</td><td>33,543,686</td></tr> </table>	Other Concession	1,013,197	Fuel Concession	4,571,682	Nausori Airport Concessions	518,202	Total	33,543,686
Other Concession	1,013,197								
Fuel Concession	4,571,682								
Nausori Airport Concessions	518,202								
Total	33,543,686								
8. We note that the net cash flow deficit for operations and capital works of the 14 loss making airports in 2018 and 2019 amounted to \$18.9m and \$30m respectively. How does FA see a way out in the future with regard to correcting these deficits and generating more revenue? Also, are the OPEX and CAPEX amounts as stated in the Appendix provided to us cumulative or specifically for the 2018 and 2019 financial years?	The amounts stated are specifically for the separate 2018 and 2019 financial years. These were driven largely by 2 major projects in Rotuma and Nausori. The 13 outer-island airports are domestic airports. Nausori is pre-dominantly domestic with international aspirations. As advised earlier we have to increase domestic fees and charges in line with other countries to mitigate the losses and significant cash deficit positions. Please refer further to 2 (e) above.								
9. We note from the Annual Report that FA has a 7-year development plan in place for the development of the 13 Outer Island Airports. Provide a breakdown of the government subsidy received over the years in the implementation of this plan.	Please refer above. No subsidy received for implementation of this plan.								
10. What was the rate of unplanned staff turnover at FA in 2017?	In 2017 the staff turnover rate was 4%. From 2017 to 2019 the average turnover rate has been 3%. Based on international guideline this is very low.								
11. Does FA plan to expand its revenue streams to supplement its annual income?	Fiji Airports prior to Covid - 19 crisis had the following major plans to expand revenue streams: i. Aerobridge Charges; Fiji Airports provides 5 aerobridges at the Nadi International Airport. FA procures these aerobridges at around \$1.3m per aerobridge, pays for costs to operate these aerobridges (eg, electricity consumables etc), pays for the routine maintenance of these aerobridges. FA also provides operators. However, there								

	are no fees associated for the usage of these aerobridges. FA will be working with airlines and FCCC when business resumes to some form of normalcy. ii. Commercial Development of Fiji Airports Estate – Fiji airports property has the potential to be developed for commercial use through partnership. The land along the Namaka Corridor is suitable for retail commercial development and the property along new town beach is suitable for hotel development. The timing of this development has to be right.
12. The following questions relate to the Board of Directors of Fiji Airports in 2017:	
a) Enlighten us on the employment contract of the Executive Chairman, Mr. Faiz Khan, considering he was in both the Board of Directors and the Management Team.	Mr Faiz Khan has not had an employment contract with Fiji Airports during his entire tenure as Executive Chairman since around the end of 2012 when former CEO and Chairman both resigned at the height of Nadi Airport Terminal Modernisation Project planning. During his tenure as Executive Chairman Mr Khan did not receive any remuneration from Fiji Airports. His employment contract remained with Tropik Wood Industries Ltd whilst Mr Khan continued to work for both Fiji Airports and Tropik Wood Industries Ltd.
b) Inform us of the employment contract of Mr. Geoffrey Shaw and his work location during the course of the year.	Mr Shaw does not have an employment contract with Fiji Airports. He was an independent director until 3rd of June 2019. From 4th of June he is the Chairman of Fiji Airports duly appointed by the Ministry of Economy, Civil Service and Communication. Mr Shaw resides in Sydney Australia and is a well renowned businessman who built his business empire with the likes of Outrigger and Castaway Island Resorts.

APPENDIX A

VIRGIN AUSTRALIA OUTSTANDING ACCOUNT SUMMARY FOR MAR 20

SERVICE DESCRIPTION		CURRENCY	OUTSTANDING
1	Landing & Navigation	FJD	389,947
2	Overflights	FJD	223,230
3	Cute Charges	FJD	14,705
	Total Outstanding	FJD	627,883

APPENDIX A

VIRGIN AUSTRALIA OUTSTANDING ACCOUNT SUMMARY FOR APRIL 20

SERVICE DESCRIPTION		CURRENCY	OUTSTANDING
1	Landing & Navigation	FJD	103,102
2	Overflights	FJD	14,028
3	Cute Charges	FJD	14,846
	Total Outstanding	FJD	131,975