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## STANDING COMMITTEE ON SOCIAL AFFAIRS

### Review of the Fiji Airports 2018 - 2019 Annual Report



**PARLIAMENT OF THE REPUBLIC OF FIJI**  
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# COMMITTEE MEMBERSHIP



## **Chairperson**

Hon. Viam Pillay MP

Government Member

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## **Deputy Chairperson**

Hon. George Vegnathan MP

Government Member

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## **Member**

Hon. Alipate Nagata MP

Government Member

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## **Member**

Hon. Salote Radrodro MP

Opposition Member

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## **Member**

Hon. Dr Ratu Atonio Lalabalavu MP

Opposition Member

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## **CHAIRPERSON’S FOREWORD**

I am pleased to present the report of the Standing Committee of Social Affairs on the Annual Review of the Fiji Airports for 2018 – 2019.

This review was undertaken in accordance with Standing Order 109(2)(b) which mandates the committee to look into issues related to health, education, social services, labour, culture and media. The committee first met to deliberate in April and formulated questions pertaining to the Annual Report.

In order to comply with health directives and protocols on public gathering and social distancing, the committee accepted a written response from the Fiji Airports in lieu of a face-to-face hearing. Following our deliberations on its written response, we wrote to the Fiji Airports requesting for further clarification on other related matters. Upon receipt of all relevant information on the committee’s queries, the committee compiled its findings and subsequently endorsed its report in August.

At this juncture, I wish to thank the Chairman of Fiji Airports, Mr Geoffrey Shaw, and the Fiji Airports management for their timely assistance in this review process. I also extend my gratitude to my Committee colleagues namely: Hon. George Vegnathan (Deputy Chairperson), Hon. Alipate Nagata, Hon. Salote Radrodoro and Hon. Dr Ratu Atonio Lalabalavu for their contributions during the committee’s deliberations.

On behalf of the Standing Committee on Social Affairs, I commend this Report to Parliament and request all members of this august House to take note of the Report.



**Hon. Viam Pillay**

**Chairperson**

## **RECOMMENDATION:**

The Standing Committee on Social Affairs has conducted the annual review of the Fiji Airports for 2018 – 2019 and recommends that the House take note of its report.

### **1.0 INTRODUCTION**

The 2018 - 2019 Annual Report of the Fiji Airports was tabled in Parliament during the December 2020 meeting and referred to the Standing Committee on Social Affairs for its scrutiny.

Standing Orders 109(2)(b) allows Standing Committee on Social Affairs to examine matters related to health, education, social services, labour, culture and media.

Furthermore, Standing Orders 110(1)(c) authorises the Standing Committee to “*scrutinise the government departments with responsibility within the committee's subject area, including by investigating, inquiring into, and making recommendations relating to any aspect of such a department's administration, legislation or proposed legislative program, budget, rationalisation, restructuring, functioning, organisation, structure and policy formulation.*”

### **1.1 Committee Procedure**

We first met in April to deliberate on and formulate questions pertaining to the 2018 - 2019 Annual Report of the Fiji Airports which was sent to the entity for its response.

Following our deliberations on its written response, we again wrote to the Fiji Airports requesting for further clarification on other related matters. Upon receipt of all relevant information on the committee's queries, we compiled our findings on the Annual Report and subsequently endorsed it in August.

We received written and supplementary responses from the Fiji Airports for this annual review. They are available on the Parliament website, at the following link: <http://www.parliament.gov.fj/committees/standing-committee-on-social-affairs/>

## **2.0 ABOUT FIJI AIRPORTS**

Fiji Airports is a fully owned Government Commercial Company established on 12 April 1999 under the Public Enterprise Act, 1996. It operates 15 airports in the Fiji Islands including Nadi and Nausori International airports and 13 other domestic airports which are located on islands scattered over Fiji's maritime zone. Fiji Airports also provides Air Traffic Management (ATM) services within the Nadi Flight Information Region (Nadi FIR) which includes the sovereign air spaces of Tuvalu, New Caledonia, Kiribati and Vanuatu.

## **3.0 COMMITTEE'S OBSERVATIONS AND AREAS OF CONCERN**

### **3.1 Loss Making Outer Island Airports**

The main challenge of Fiji Airports is the outer island domestic airstrips. These airports all run at a loss and are subsidized by Nadi Airport revenue generation.

Furthermore, Fiji Airports has heavily subsidized domestic travel. To put this in context for each landing at any of its runways, a twin otter pays \$15.18; ATR 42 - \$78.28; and ATR 72 - \$94.76. In addition, domestic passengers pay \$5 VEP per ticket. This miniscule revenue results in additional financial pressure for Fiji Airports when it is predominantly running just the domestic operations. The domestic charges were due for a review in 2020; this is now on hold due to the current pandemic.

#### **Recommendations**

1. That, as part of its social responsibility, the Government must take the lead role and support Fiji Airports in the maintenance and upgrade of outer island domestic airstrips.
2. That Fiji Airports continue to subsidise domestic travel.
3. That domestic charges be reviewed at an appropriate time.

### **3.2 Fiji Airports Master Plan on Hold**

The committee notes that currently the masterplan is on hold due to the financial impact of COVID-19. The underlying driver of the masterplan is passenger and flight growth. Current ICAO forecasts do not indicate a recovery of 2019 passenger numbers until 2023/24.

The masterplan based on current and forecast business conditions, is effectively delayed in implementation by 3 to 4 years with the majority of current projects mothballed.

Should business conditions improve earlier than expected, design documentation is well advanced to enable shovel ready construction projects to proceed at short notice. Fiji Airports is also separately engaging with ADB on grant funding of approximately \$1.5 million for some short term Covid-19 ready projects in late 2021.

#### **Recommendation**

1. That Fiji Airports, in consultation with the Government, continue with its shovel ready projects once conditions improve.

### **3.3 Impact of COVID-19 Pandemic on Fiji Airports Operations**

We note that the following measures were taken to reduce the impact of the COVID 19 pandemic on Fiji Airports:

- Effective from 01 April 2020, the management took a 30% and the Board Chairman a 100% pay cut while staff working hours was reduced from 80 to 56 hours per fortnight effective from June 2020. Furthermore, all allowances were ceased effective from April 2020.
- Stringent cost cutting measures were undertaken. Contracts for terminal cleaning, security, grass cutting rubbish collection were all reviewed and either reduced or ceased in line with traffic movement. Telecommunication costs, which included leased line costs, were revised according to requirement. Electricity usage was reviewed and reduced.
- Effective from September 2020 a progressive management and staffing restructure was undertaken. Retirement age was also reduced from 60 to 55 effective from 01 January 2021 to align with Government public service employees. Staff leaving were provided very attractive redundancy packages above and beyond those legally required rather than terminating them without any package so as to ensure a level of support for the individual and their family.
- FA also made the decision to curtail its capital expenditure program and only progressed with those projects already under contractual engagement obligations and a few essential maintenance projects that are required for compliance, safety and continued airport and air navigation services.
- FA offered discounts from 50% to 100% to all Nadi International Airport tenants depending upon the impact severity of COVID-19.
- In a further attempt to reduce costs and provide for a sustainable domestic aviation sector, FA has approached the Ministry and Civil Aviation and CAAF with an interim safety

case to review the provision of Aviation Fire Fighting and Rescue Services to the Outer Island Airports.

### **Recommendations**

1. That Fiji Airports continue dialogue with CAAF and key stakeholders on the provision of Aviation Fire Fighting and Rescue Services to the Outer Island Airports.
2. That Fiji Airports continue to review its current operations and introduce cost cutting measures.
3. That Fiji Airports work on a post COVID-19 plan.



## **4.0 CONCLUSION**

The committee has fulfilled its mandate to review the 2018-2019 Annual Report of Fiji Airports. As part of its review process, the committee received written and supplementary responses from the entity.

In this review report, the committee has highlighted various areas that need to be strengthened by the Fiji Airports and relevant recommendations have been made for the resolution of issues.

## COMMITTEE MEMBERS' SIGNATURE


We, the Members of the Standing Committee on Social Affairs, hereby agree with the contents of this report:



Hon. Viam Pillay  
(Chairperson)



Hon. George Vegnathan  
(Deputy Chairperson)



Hon. Alipate Nagata  
(Member)



Hon. Salote Radrodoro  
(Member)



Hon. Dr. Ratu Atonio Lalabalavu  
(Member)

# APPENDIX

## Published written evidence

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Written evidence and supplementary information was received from the Fiji Airports and can be viewed on the Parliament website at the following link:  
<http://www.parliament.gov.fj/committees/standing-committee-on-social-affairs/>