

# APPENDICES

# Appendix I

Written Response by Fiji  
Airports

06 October 2022

The Honourable Viam Pillay  
Chairperson -Standing Committee on Social Affairs  
**SUVA**

Dear Sir

**Request for Clarification on Issues relating to the Fiji Airports 2020 Annual Report**

We refer to your letter dated 29 September 2022 seeking for clarifications on the 2020 Annual report.

The responses to the clarifications sought is appended to this letter.

We trust that we have adequately responded to the clarifications raised by the committee and will be most happy to provide further details should the need arise.

Yours faithfully



Rowan Chalmers  
CEO

COMMITTEE CLARIFICATIONS	RESPONSES
<p>1. We note that the COVID-19 pandemic adversely impacted the revenue flow and brought about massive job losses at Fiji Airports as a result.</p> <p>a) Inform us of how many workers were laid off as a result of the pandemic and whether they have been reemployed since. Provide relevant statistics.</p> <p>b) Have any of the tenants of FA faced closure of their business as a result of loss of revenue?</p>	<p>1. Fiji Airports took various measures to cushion the operational and financial impact of COVID-19.</p> <p>These measures, together with Fiji Airports prudent and conservative financial management applied over the past 7 years, allowed us to tackle the economic impact of the pandemic thus far and mitigate its effects.</p> <p>a) The pandemic necessitated significant staff reductions by many organisations and across the entire aviation industry. In the initial stages of the pandemic, we worked hard to provide employment for as many of our people as possible. At the start of the pandemic Fiji Airports employed 520 people on a full-time basis.</p> <p>There were some positions within the organisation which due to COVID-19 had become redundant. This totalled 30 positions or 6% of our staffing levels.</p> <p>Furthermore, Fiji Airports has aligned itself with and adopted the Government Civil Service retirement age provisions detailed in the State Services Act 2009 section 15.2 requiring retirement at the age of fifty-five (55) years. This affected a further 37 people or 8% of staff.</p> <p>Fiji Airports provided a reasonable package to our staff. The affected staff also underwent a consultation process to ensure ample notification was served and their concerns were addressed.</p> <p>None of the staff that were retrenched have been re-employed, although Fiji Airports has begun hiring as traffic volumes have started to recover.</p> <p>b) We continue to provide significant discounts to all our airport stakeholders in good faith and as part of long-term partnerships. The discounts were determined on a case-by-case basis and the severity of impact on their respective businesses.</p>

COMMITTEE CLARIFICATIONS	RESPONSES
	<p>Despite these discounts 8 tenants ended their terms with Fiji Airports and have relocated or closed their business operations at our airports.</p> <p>There is no doubt that had Fiji Airports not provided discounts as part of our COVID relief the number of tenants closing their businesses would have been much higher.</p>
<p>2. How is FA planning to diversify its income streams to cushion itself from future global shocks and uncertainties?</p>	<p>Revenue diversification is no less important than it was before COVID-19, but the pandemic has heightened the pressure on many airports to diversify their revenue streams from the classic aeronautical model. The challenge, of course, is that finding and generating those alternate revenue streams as many of our major stakeholders and business partners are still recovering from the effects of COVID themselves.</p> <p>One of the key strategic areas Fiji Airports is focusing on post COVID-19 is the commercial development of our real estate portfolio. Development of our land holdings could provide a substantial non-aeronautical revenue stream for Fiji Airports and provide an alternative income cushion from future global shocks and uncertainties. We are about to commence a detailed exercise to create a zoning map for our land at Nadi Airport and, on the back of that, create a strategy to develop land use based on the zone and mode of use. For example, land close to Queens Road in Namaka may be well suited for retail and commercial development, that at Nasoso for aviation support and our holdings located on Nadi Bay better used for leisure and tourism projects. Having a comprehensive land use strategy will allow us to ensure development is sympathetic to the needs of the community and provide the maximum return to Fiji Airports.</p>
<p>3. What have been some of the lessons learnt as a result of the pandemic and how have they been implemented by the organization?</p>	<p>COVID-19 taught us many lessons. Overnight we went from an average of 41 international flights a day to zero. We have learnt how to manage contracts with service providers so that any such events that might occur have contractual provisions to reduce costs while maintaining acceptable levels of service.</p>

COMMITTEE CLARIFICATIONS	RESPONSES
	<p>With reduced income, the maintenance of plant and equipment were critical, and Fiji Airports continued to maintain our facilities to enable the swift and successful reopening of airports in December 2021. Our airports are critical the prosperity of the nation and even though revenues had evaporated we continued to invest in our infrastructure. The Nausori runway extension was completed in November 2021 and work continued on the development of our new, world class air traffic control systems that have recently gone live.</p>
<p>4. Due to the prolonged impact of COVID-19, we note that FA engaged a counsellor to provide counselling services for staff mental health and well-being.</p> <p>How effective were these counselling sessions in improving work productivity and enhancing employee job satisfaction?</p>	<p>COVID-19 has had a huge impact on everyone. Staff have been affected mentally, physically, and emotionally. From mid-March 2020 our employees were informed and coached on how to cope during the pandemic. The health and safety of our staff has always been paramount, and we believe the efforts we made to support our team and their families were of great help at this unprecedented time.</p> <p>Everyone was living in a state of anxiety regarding possible impacts on health and wellbeing. Many employers in Fiji and across the world took drastic approaches to labour and many employees lost their jobs, were sent on leave without pay or had their working hours and incomes reduced.</p> <p>During these difficult times our priority was to look after the wellbeing of our people and provide them support in every manner possible.</p> <p>Fiji Airports provided counselling in groups and in one-on-one sessions and a total of 350 staff attended these sessions.</p> <p>The primary objective of the counselling sessions was to enable our staff to manage the psychological impacts of COVID-19. Increases in productivity were an indirect benefit of these sessions.</p>

COMMITTEE CLARIFICATIONS	RESPONSES
	<p>This increase in productivity was demonstrated by the fact that Fiji Airports was able to ensure that millions of dollars' worth of assets were maintained and remained in operational state of readiness despite staff working on reduced hours. Fiji Airports was also able to successfully continue with high value ongoing projects such as the previously noted Nausori runway extension and upgrades to our air traffic control systems.</p>
<p>5. For those staff having KPI ratings of 1 (Unacceptable Performance) and 2 (Needing Improvement), what kind of trainings and opportunities are provided to them to meet and exceed job expectations?</p>	<p>An assessment of the training needs is performed followed by:</p> <ul style="list-style-type: none"> <li>a) Performance Improvement Plan with a review after 6 months.</li> <li>b) Counselling: 1-On-1 session with supervisor</li> <li>c) On-The-Job (OTJ) specifics by the Supervisors focusing on: <ul style="list-style-type: none"> <li>i. Job Knowledge</li> <li>ii. Technical Knowledge</li> </ul> </li> </ul>
<p>1. <b>Financial Statements for the Year Ended 31 December 2020</b>  In relation to the 2020 financial statements of FA, we note that the auditor drew attention to five matters which are stipulated on pages 29 &amp; 30 of the Annual Report. Explain whether these issues have been rectified and the measures taken by FA to prevent their recurrence. Please note draft responses for the 5 matters in the FS.</p> <p>i.</p> <p>Note 2(a) to the financial statements which states that the Company in complying with the Circular issued on Cabinet Decision No. 357 of 2012 for its accounting treatment of government grants after 1 January 2010, was not in compliance with International Accounting Standards (IAS) 20 <i>Accounting for Government Grants and Disclosure of Government Assistance</i>.</p>	<p>As per the International Standards on Auditing, the Emphasis of Matter paragraph is a "paragraph included in the auditor's report that refers to a matter appropriately presented or disclosed in the financial statements that, in the auditor's judgment, is of such importance that it is fundamental to users' understanding of the financial statements." <a href="https://www.ifac.org/system/files/downloads/ISA_706_standalone_2009_Handbook.pdf">https://www.ifac.org/system/files/downloads/ISA_706_standalone_2009_Handbook.pdf</a> Page 3/4.</p> <p>i. This matter has been addressed in the 2021 financial year.</p> <p>During the year ended 31 December 2012 the Company changed its accounting policy for government grants, including restatement of prior periods, to comply with a circular that was issued by the Ministry of Public Enterprises &amp; Tourism on 14 March 2013. This circular cited Cabinet decision No.357 of 2012 that required all government grants or special funding to state owned enterprises received from 2010 to be treated as a capital contribution.</p>

COMMITTEE CLARIFICATIONS	RESPONSES
<p>ii.</p>	<p>In March 2016, the Directors were issued a circular from the Ministry of Public Enterprises &amp; Tourism who confirmed that all Government grants received after 9th March 2016 need to be accounted for in accordance with the requirements of IAS 20 Accounting for Government Grants and Disclosure of Government Assistance.</p> <p>Since the grants that were accounted for capital contribution were all received between 2010 and 2016, the compliance to account these as capital contributions remained which was still not in compliance with IAS 20.</p> <p>After discussions with Ministry of Economy and Auditor Generals Office, it was agreed to account for government grants for all periods (including 2010-2016) in compliance with International Accounting Standard (IAS) 20 Accounting for Government Grants and Disclosure of Government Assistance in the 2021 financial statements.</p>
<p>ii.</p> <p>Note 2(e) to the financial statements notes the impact of COVID-19 pandemic on revenue streams of the Company. As set out in Note 2(e), to assist aeronautical and commercial customers, a total discount of \$23,377,566 has been provided during the pandemic which has been recognized through the provision of Expected Credit Loss (ECL). The Company notes, that this directly co-relate with international passenger traffic and will continue until travel restrictions are eased.</p>	<p>ii. There were rental discounts granted to FA tenants during the COVID-19 pandemic. Tourism activity was virtually zero and our airport tenants had no business activity.</p> <p>The levels of discount or rebate was determined on a case-by-case basis and the severity of impact on the business. Rental discounts were given which amounted to \$23.7M for the year 2020.</p>
<p>iii.</p> <p>Note 17 to the financial statements describes the Company's loans and borrowings which at financial year end had a balance of \$66.3 million with monthly repayment of \$869,700. The loan is secured by registered first fixed and floating charge over all assets and undertakings, registered first mortgage over Crown Lease No. 3469 and negative pledge by the Company.</p>	<p>iii. Borrowings were \$66.3M at 31 December 2020. Fiji Airports also has total assets of \$568M of which \$62M is cash.</p> <p>Total liabilities are \$97M and the shareholders equity is \$448.6M. The general rule of thumb for debt to equity is that debt should not be twice the shareholders claim, or 2:1.</p>



COMMITTEE CLARIFICATIONS	RESPONSES
<p data-bbox="100 391 134 418">iv.</p> <p data-bbox="79 435 1052 553">Note 28 to the financial statements notes the refinancing of the loan facility and Company has taken additional sum of \$40,000,000 for capital works. The loan facility been financed through Australia and New Zealand Banking Group (ANZ Bank) partnership with Australian Infrastructure Financing Facility for the Pacific (AIFFP).</p> <p data-bbox="100 704 134 732">v.</p> <p data-bbox="79 748 1052 980">The Company has not undertaken a full review on impairment of assets with zero book values totalling \$4,952,310 included in its property, plant and equipment. The review of the depreciation rates and the economic useful lives of the individual classes of plant and equipment in a progressive and structured manners for consideration and review by Directors of the Company is yet to be performed. As at balance date, the Company continued to use the assets with zero written down value to generate economic activities without taking into account the depreciation expenses in the statement of comprehensive income.</p>	<p data-bbox="1150 326 1990 386">Fiji Airports liabilities are only 0.2 which highlights the very strong position of the company to take additional loans when required for future growth.</p> <p data-bbox="1079 423 2032 558">iv. This matter is highlighting the refinancing of the loan in the 2021 financial year. The additional \$40M loan was for the Air Traffic Control System Upgrade, Nadi Airport Off -Gate Aprons (new aircraft parking areas), outer island runway and pavement projects and various other smaller projects.</p> <p data-bbox="1150 597 2032 657">These highlighted projects are under way and Fiji Airports has drawn down \$17.5m from this facility as of September 2022</p> <p data-bbox="1079 699 2032 834">v. Fiji Airports has recently engaged Marsh to undertake a full valuation of all assets for financial and insurance purposes. Part of the exercise also involves verification and tagging of assets. The results of this exercise will be incorporated into the 2022 financial statements.</p>

# Appendix II

## Verbatim Report on Fiji Airports Public Submission

# **[VERBATIM REPORT]**

## **STANDING COMMITTEE ON SOCIAL AFFAIRS**

### **ANNUAL REPORTS**

- 1. Fiji Airports Limited (2020 Annual Report)**

**SUBMISSIONS:** (1) Fiji Airports Limited

**VENUE:** Small Committee Room, Parliament

**DATE:** Thursday, 11<sup>th</sup> October, 2022

**VERBATIM REPORT OF THE MEETING OF THE STANDING COMMITTEE ON SOCIAL AFFAIRS HELD IN THE SMALL COMMITTEE ROOM (WEST WING), PARLIAMENT PRECINCTS, GOVERNMENT BUILDINGS ON TUESDAY, 11<sup>TH</sup> OCTOBER, 2022 AT 2.00 P.M.**

**Interviewee/Submittee: Fiji Airports Limited**

In Attendance:

- |                       |  |
|-----------------------|--|
| 1. Mr. Rowan Chalmers | Chief Executive Officer                                |
| 2. Mr. Amit Singh     | General Manager, Air Traffic Management and Operations |
| 3. Mr. Ashween Nandan | General Manager, Commercial                            |
| 4. Ms. Sanjana Mishra | Financial Controller                                   |
| 5. Mr. Rohit Prasad   | Senior Management Accountant                           |
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MR. CHAIRMAN.- Honourable Members, I declare open this meeting of the Standing Committee on Social Affairs. Today's hearing is open to the public and I welcome members of the public and media who may be viewing this broadcast on the Parliament channel and *Facebook* page.

We will be hearing evidence from the Fiji Airports Limited in relation to its operational and financial performance on the 2020 Financial Year.

Before we continue, I remind everyone in the hearing room that mobile phones are to be switched off. Witnesses are reminded that the evidence given to the Committee is protected by Parliamentary privilege. It is important for witnesses to be aware that giving of false or misleading evidence to the Committee might constitute a contempt of Parliament. If at any stage a witness wishes to give part of their evidence in camera, they should make that request to me as Chairman and the Committee will consider the request.

Today, we have with us the Chief Executive Officer of the Fiji Airports, Mr. Rowan Chalmers. Welcome, Sir, and we would like to also welcome your team. We have an hour with you, before we proceed any further, please let me introduce the Members of the Committee.

(Mr. Chairman introduces Members of the Committee)

MR. CHAIRMAN.- The normal procedure is that we invite witnesses to make an opening statement and introduce themselves. After this we will hear your response to the Committee's queries which were sent earlier and then we you can make yourself available for questions from the Committee Members. After your presentation then the response to the queries and then we will allow the honourable Members for questions. Sir, for the benefit of the viewer's, please read the questions when you go through it. The floor is yours, Sir, and you may proceed.

MR. R. CHALMERS.- I would like to start by thanking the Committee for the opportunity to spend some time with you this afternoon and to also introduce my team as well that has accompanied me today.

(Introduction of representatives from Fiji Airports Limited)

MR. R. CHALMERS.- I think we have a presentation.

MR. CHAIRMAN.- We have got the copies of your presentation, so you can go through it and we will follow from our end.

MR. R. CHALMERS.- Thank you. Obviously the purpose of today is to provide an update on the business performance of Fiji Airports Limited and as by way of background, the ownership of Fiji Airports Limited is by the Government of Fiji. It was established in 1999 following a restructure of the Civil Aviation Authority of Fiji at that time and the reporting line is to the Department of Public Enterprises underneath the Ministry of Economy.

Fiji Airports Limited operates 15 airports across the Fiji Islands with an asset base of just under \$570 million and these assets, as you would imagine, Sir, at our 15 airport locations and indeed beyond that we have air traffic management infrastructure also around the country as well.

The primary airport in the group is obviously Nadi where most of the international visitors to Fiji come to and of the vast majority of those travellers are our tourists visiting Fiji and its islands. Nausori is the second airport here in Suva with a much smaller operation, then Labasa and then the outer island airports around the chain group as well.

So, our core responsibilities are operating those airports to the highest international safety and service standards and this includes in addition to the airports the air traffic management division that oversees some 6 million square kilometres of airspace around Fiji and is a significant revenue generator for the company. We strive to provide a world class customary experience for travellers along with reasonable returns to the shareholder and continue to invest in both infrastructure services and products around the nation.

Obviously the primary story in the last couple of years has been COVID and the impact of that on our business. As you can see in the slide, there was a significant decline in traffic both air movements throughout the airspace and passengers visiting Fiji fell from about \$2.2 million in 2019 to just over \$400,000. So, a significant decline in volumes which had a material effect on our business.

Prior to that from 2015 to 2019 we had a significant growth in the business and you may call those years, I suppose, our golden years from 2015 to 2019 where both revenue and profit and dividends were at their highest levels that we had seen. However, in March 2020, COVID-19 pandemic gripped the world and had a significant impact on the business not only in terms of revenue but also in our assets and balance sheets.

The business model that we operate is obviously to generate revenue from three primary sources, aeronautical revenue, that is the cost that we charge to airlines to operate commercial which is the associated income from retail, food and beverage outlets, properties that are owned and leased by Fiji Airports Limited and then our Air Traffic Management Group that handles the predominantly the over flight of aircraft through the Nadi FIR which is the 6 million square kilometres I referred to earlier. So, clearly and not only traffic to Fiji, dried up but overflight traffic and associated commercial revenues follow as well. So we had to move quickly to preserve the business and protect it to ensure it would survive and we took some significant measures to do that. We will address some of those actions in our response afterwards.

But as you can see, we had a significant reduction and operating costs that were reduced from about \$73 million in 2019. So, \$51 million is our reduction, of about 30 percent.

That just underlines one of the challenges of operating an airport business is our capital, our fixed costs are quite high and very hard to bring down in line with volume. So as volume falls away, some of these fixed costs are almost impossible to remove which is a challenge but certainly COVID-19 was not something we would hope to see again but it is only tested us.

Like any infrastructure business, we spent a significant amount of money on capital projects. However, we postponed most of these in 2020 to preserve cash flow. The only two that we continued with was sort of major in nature had commenced before the pandemic and this was the upgrade for the Nausori runway. So, the improvement to the actual runway and the extension of the runway itself. And then another current project that is ongoing which is our off gates apron, this is an expanded aircraft parking capacity at Nadi Airport.

The runway in Nausori was completed in late 2021. In 2019 and 2020 there were further works of the outer-island airports in Bureta, Lakeba, Vunisea, Labasa and the total expenditure on those works was about \$4.1 million.

We continue to be conservative with our commitment for projects although with the returning of traffic, we are substantially more optimistic about the year ahead than we would have been a year ago.

There is some information there on the runway in Nausori. This was a significantly challenging engineering project due to the nature of the airfield itself and the location close to the river. The significant improvement made has given us a lot more capability for that airport and we will be shifting our focus in Nausori to the terminal building in the year ahead, to give it much needed improvement. I am sure those who have travelled through there would welcome the news of an upgrade to the airport.

At the same time we will be expanding our commercial activities in Nadi and one of the points we make in our responses to the questions was around how we would diversify our business to be more flexible, shall we say, and promote alternative revenue streams so should we have another significant downturn, we would be in a better position in terms of having a broader set of income streams. One area that we are about to launch some work in and Ashween would be

leading that would be the development of our land use strategy primarily in Nadi, what we do with the various land that we own and how we could zone it and develop it for the future.

(Inaudible)

MR. CHAIRMAN.- CEO, can you turn on your mic, please?

MR. R. CHALMERS.- Apologies. Sir, the 2020 and 2021 were significantly challenging for Fiji Airports Limited but as we sit here today, we feel quite optimistic about the year ahead. The recovery in traffic is being very strong which is pleasing to see with our passenger numbers ahead (probably what were reasonably optimistic forecasts). So we would hope that we would see the 2019 levels reached next year in 2023 in terms of traffic, volumes and activity.

MR. CHAIRMAN.- Thank you CEO, if you can also take us through your response.

MR. R. CHALMERS.- We received a number of clarifications and questions from the Committee. I will go through them and ask some of my colleagues to add in some details as we go.

*The first question, the Committee noted that the COVID-19 pandemic adversely affected revenue flows and brought about job losses at Fiji Airports Limited. We were asked to inform the Committee of how many workers were laid off as a result of the pandemic and whether they have been reemployed since? Did any of our tenants at Fiji Airports Limited face closure of their business as a result of that loss of revenue?*

We would offer the following response. Fiji Airports LIMItook various measures to cushion the operational and financial impact of COVID-19. These measures together with Fiji Airports prudent and conservative financial management applied over the past several years allowed us to tackle the economic impact of the pandemic thus far and mitigate many of its effects.

The pandemic necessitated significant staff reductions by many organisations and across the entire aviation industry. In the initial stages of the pandemic, we worked hard to provide the employment for as many of our people as possible. At the start of the pandemic Fiji Airports employed 520 people on a full-time basis. There were some positions within the organisation which due to the pandemic had become redundant and this totalled 30 positions or some 6 percent of our staffing levels.

Furthermore, Fiji Airports Limited has aligned itself with and adopted the Government Civil Service retirement age provision as detailed in section 15.2 of the State Services Act 2009 requiring retirement at the age of fifty-five (55). This affected a further 37 people or some 8 percent of our staff.

Fiji Airports Limited provided reasonable packages to all our staff. The affected staff also underwent a consultation process to ensure ample notification was served and their concerns were addressed. None of the staff that were retrenched have been re-employed, although Fiji Airports has begun hiring as traffic volumes have started to recover.

We continue to provide significant discounts to all of our airport stakeholders in good faith and as part of the long-term partnerships that we form with them. The discounts were determined on a case-by-case basis and the severity of impact on their respective businesses. Despite these discounts, eight tenants ended their terms with Fiji Airports Limited and have relocated or closed their business operations at our airports. There is no doubt that had Fiji Airports Limited not provided these discounts as part of our COVID-19 Relief Programme, the number of tenants closing their businesses would have been much higher.

*Question 2 – How is Fiji Airports Limited planning to diversify its income streams to cushion itself from future global shocks and uncertainties?*

Revenue diversification is no less important than it was before COVID-19 came along but the pandemic has heightened the pressure on many airports to diversify their revenue streams from the classic aeronautical model. The challenge, of course, is that finding and generating those alternate revenue streams is not easy as many of our major stakeholders and business partners, they themselves are still recovering from effects of COVID-19.

One of the key strategic areas in Fiji Airports Limited is focusing on post COVID-19 is the commercial development of our real estate portfolio as I mentioned earlier. Development of our land holdings could provide a substantial non-aeronautical revenue stream for Fiji Airports Limited and provide an alternative income cushion from future global shocks and uncertainties. We are about to commence a detailed exercise to create zoning maps for our land at Nadi Airport and on the back of that, create a strategy to develop land use based on the zone and mode of use. For example, land close to Queen's Road in Namaka may be well suited for retail and commercial development, that at Nasoso for aviation support and our holdings located close to Nadi Bay may be used for leisure and tourism projects. Having a comprehensive land use strategy will allow us to ensure development is sympathetic to the needs of the community and provide the maximum return to Fiji Airports.

*Question 3 – What have been some of the lessons learnt as a result of the pandemic and how have they been implemented by the organisation?*

COVID-19 taught us many lessons. Overnight we went from an average of 41 international flights a day to zero. We have learnt how to manage contracts with service providers so that any such events that might occur have contractual provisions to reduce costs while maintaining acceptable levels of service.

With reduced income, the maintenance of plant and equipment were critical and Fiji Airports continued to maintain our facilities to enable the swift and successful reopening of airports in December 2021. Our airports are critical the prosperity of the nation and even though revenues had evaporated we continued to invest in our infrastructure. The Nausori runway extension was completed in November 2021 and work continued on the development of our new world class air traffic control systems that have recently gone live just last week with a substantial upgrade.



*Question 4 – Due to the prolonged impact of the COVID-19 pandemic, we note that Fiji Airports Limited engaged a counsellor to provide counselling services for staff mental health and well-being. How effective were these counselling sessions in improving work productivity and enhancing jobs satisfaction?*

COVID-19 has had a huge impact on everyone. Staff have been affected mentally, physically and emotionally. From mid-March 2020, our employees were informed and coached on how to cope with the pandemic. The health and safety of our staff has always been paramount and we believe the efforts we made to support our team and their families were of great help at this unprecedented time.

Everyone was living in a state of anxiety regarding possible impacts on health and well-being. Many employees lost their jobs or sent on leave without pay or had their working hours and income reduced. During these difficult times our priority was to look after the well-being of our people and provide them support in every manner possible. Fiji Airports Limited provided counselling in groups and one-on-one sessions and a total of 350 staff attended those sessions.

The primary objective of the counselling sessions was to enable our staff to manage the psychological impacts of COVID-19. Increases in productivity were an indirect benefit of these sessions. The increase in productivity was demonstrated by the fact that Fiji Airports Limited was able to ensure that millions of dollars' worth of assets were maintained and remained in operational state of readiness despite staff working on reduced hours. Fiji Airports Limited was also able to successfully continue with high value ongoing projects such as the previously noted Nausori Runway extension and the upgrades to our air traffic control systems.

*Question 5 – For those staff having KPI ratings of 1 (unacceptable performance) and 2 (needing improvement) what kind of training and opportunities are provided to them to meet and exceed job expectations?*

An assessment of the training needs is performed by:

- a) Performance improvement plan with the review after six months;
- b) Counselling - one-on-one session with the supervisor; and
- c) On the job training, specifics by supervisors focusing on both job knowledge and technical knowledge.

We have some financial questions that I will address now. In relation to the 2020 financial statements of Fiji Airports Limited, we note that the auditor drew attention to five matters which is stipulated on pages 29 and 30 of the Annual Report. Explain whether these issues have been rectified and the measures taken by Fiji Airports Limited to prevent their re-occurrence? Please note the draft responses for the five matters.

Would you like me to read each of the matters out as well? As per the international standards on auditing, the Emphasis of Matter paragraph is a paragraph included in the auditor's report that refers to a matter appropriately presented or disclosed in the financial statements, which in the auditor's judgement, is of such importance that is fundamental to users understanding of the

financial statements. This matter has been addressed in the 2021 financial year. During the year ended 31<sup>st</sup> December, 2012, the company changed its accounting policy for government grants, including restatement of prior periods to comply with a Circular that was issued by the Ministry of Public Enterprises and Tourism on 14<sup>th</sup> March, 2013.

The Circular cited Cabinet Decision No. 357 of 2012 that required all Government grants or special funding to State-owned enterprises received from 2010 to be treated as a capital contribution. In March 2016 the Directors were issued a Circular from the Ministry of Public Enterprises and Tourism who confirmed that all Government grants received after 9<sup>th</sup> March, 2016 need to be accounted for in accordance with the requirements of International Accounting Standards (IAS) 20 Accounting for Government Grants and Disclosure of Government Assistance. Since the grants that were accounted for capital contribution or received between 2010 and 2016, the compliance to account these as capital contributions remained, which was still not in compliance with IAS 20. After discussions with the Ministry of Economy and Office of the Auditor- General, it was agreed to account for Government grants for all periods including 2010 to 2016 in compliance with IAS 20 Accounting for Government Grants and Disclosure of Government Assistance in the 2021 financial statements.

The next point is around discounts granted to tenants during the COVID-19 pandemic. There were rental discounts granted to Fiji Airports Limited tenants during the COVID-19 pandemic. Tourism activity was virtually zero and our airport tenants had no business activity. The levels of discount or rebate was determined on a case-by-case basis and the severity of the impact on the business. Rental discounts were given which amounted to \$23.7 million for the year 2020; borrowings were \$66.3 million at 31<sup>st</sup> December, 2020 and Fiji Airports also has total assets of \$568 million, of which \$62 million is in cash. The total liabilities are \$97 million as shareholders equity is \$448.6 million. The general rule of thumb for debt to equity is that debt should not be twice the shareholders claim or 2:1. Fiji Airports Limited's liabilities are only 0.2 which highlights the very strong position of the company to take additional loans when required to fund future growth.

The next point is regarding refinancing of a loan. This matter is highlighting the refinancing of the loan in 2021 financial year. The additional \$40 million loan was for the Air Traffic Control System upgrade, Nadi Airport Off-Gate Aprons, new aircraft parking areas, outer island runway and pavement projects and various other smaller projects. These highlighted projects are underway and Fiji Airports Limited has drawn down \$17.5 million from this facility as of September 2022.

The last point is regarding asset valuation. Fiji Airports Limited has recently engaged Marsh to undertake a full valuation of all assets for financial and insurance purposes. Part of the exercise also involves verification and tagging of assets and the results of this exercise will be incorporated into the 2022 financial statements.

MR. CHAIRMAN.- Thank you CEO for the presentation in regards to the 2020 Annual Report and also to the response to all the questions that were sent to you. I would like to thank you once again for being here and also presenting to the Committee. We will now open for questions.

HON. G. VEGNATHAN.- Thank you, Mr. Chairman and thank you, CEO and your team for being here this afternoon. My question is basically from number two where you mentioned that you are about to commence detailed exercise to create a zoning map for the land at Nadi. Do you have a timeframe set for developing that land?

MR. R. CHALMERS.- We hope to complete the whole exercise in the next financial year during 2023. The first step is to engage specialist consultants who can assist us and maybe have experience with other airports going through the same thing, and then obviously that would take a few months. But I would think that we would be in a position to have a much more well-developed view by mid-2023 and have the whole land strategy finalised later next year.

HON. RATU T.N. NAVURELEVU.- *Vinaka*, Mr. Chairman through you. I must thank the CEO and the team for the submission this morning and appreciate all the answers and the report you have given. My only question is about the developing of the terminal. This is in regards to Labasa – Waiqeke Airport. Is there any plan to upgrade that terminal?

MR. CHAIRMAN.- Maybe CEO you can elaborate more on the Nausori and Labasa terminals.

MR. R. CHALMERS.- Yes, and Savusavu and Taveuni also. These projects were contemplated prior to COVID-19 or the pandemic. In fact much of the design work particularly for Labasa is complete and you could almost say that the project is sort of shovel-ready or ready to begin. It will be my hope that we can start work in Labasa sometime during 2023, subject to be able to obtain the financing. We still need to be a little bit cautious about rushing back and spending but these are airports that are long overdue for an upgrade and I certainly could share people's frustration that it has taken quite some time.

The same is certainly true in Nausori. We had started work earlier this year on a re-design to expand the terminal and then retroactively go back to the existing building, but I will say that the initial phase of works will be a refurbishment of the existing building. So an upgrade of the existing facility and that will certainly occur during 2023. It is a top priority.

Savusavu and Taveuni obviously have lots of visitors who travel to those destinations and our facilities there, as well as many of our other outer island airports are in poor shape. We met with the primary airline, Fiji Link earlier this month actually to co-develop with them a modular terminal that we can construct and then repeat at each of the outer island airports, the exception being Labasa where the terminal is obviously going to be much bigger (not noise – 17 seconds)... and pleasant for customers to fly in and out of, as well as keeping the airports safe obviously. That is another paramount requirement.

HON. A.T. NAGATA.- Thank you Mr. Chairman and CEO and your team. Despite the challenges that was brought about by the COVID-19 pandemic, Fiji Airports Limited was able to progress and commission its new state-of-the-art Air Traffic Management (ATM) System. I must commend Fiji Airports Limited for this milestone achievement. With this new Aurora ATM System how will it benefit the region and, of course, Fiji Airports Limited.

MR. R. CHALMERS.- May I ask Mr. Amit Singh to respond as he is leading that team?

MR. A. SINGH.- Sir the Aurora Air Traffic Management System, the upgraded system was commissioned in the height of the pandemic, April 2021 and this system allows us to move away from paper strips, a paper-based system now it is a fully electronic flight strip system. That is one of the major changes.

The other change is, we have one system that is driving our domestic and international air traffic control. So, aircrafts departing on the same system that are going into the Nadi FIR, the 6 million square kilometres of air space over the South Pacific.

The third main important part is, this system has the capability to roll-out a new safety and air traffic feature which is a provision of five nautical mile separation between the aircraft similar to what radar can do.

Fiji does not have radar but we are using a system called ADS-B and ADS-B is sinking with ground stations, ground antennas and the satellite. This allows us to reduce the spacing between aircrafts that were initially 15 miles apart, now they can come close to five miles apart. So, the capacity of the airspace is improved and then the controller is continuously able to view the aircraft in real time on a screen. The screen has alerts inbuilt so when aircrafts are moving closer, it triggers an alert to the air traffic controller who is able to take action to keep them at safe distances. So, that was the main achievement we managed to deliver.

MR. CHAIRMAN.- Thank you very much for that response. Any other questions honourable Members? Thank you honourable Members, that concludes our examination of officials from Fiji Airports Limited as witnesses. On behalf of the Standing Committee on Social Affairs, I thank the team especially the CEO and the whole team for their appearance and I appreciate the support provided to the Committee in its scrutiny process. Should we have any further queries, Sir, the Secretariat will be in touch with you. CEO do you have any final comments to make?

MR. R. CHALMERS.- I would just like to thank the Committee for the opportunity to come today and spend some time. Hopefully the next time we meet will be under much more positive circumstances with the business having recovered and we look forward to that opportunity when it comes.

MR. CHAIRMAN.- Honourable Members, we will take a break and we will resume with Ba Town Council later.

The Committee adjourned at 2.33 p.m.