Republic of the Marshall Islands

Aviation Task Force

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January 3, 2025

Honorable Minister Hilton Kendall
Minister of Transportation, Communication, and Information Technology
Republic of the Marshall Islands

ANNUAL REPORT FOR CALENDAR YEAR 2024

The RMI Aviation Task Force is pleased to submit this report of significant activities during calendar year 2024.number pages

January 8, 2024
One of many e-mail exchanges between the ATF and executives at Fiji Air, that served to offer reasons for delay in feedback from the RMI government, especially regarding funding the expected first year's shortfall of revenue over costs. We offered information regarding the newly elected government in the RMI and the busy schedule of negotiating the COFA. We explained the budget process in attempting to fund an agreement to meet start up budget.

February 1, 2024
The Government of the RMI and the Government of RON signed an MOU for the Operation of Nauru Airlines Aircraft noting each other's desire to establish air services between the USA and the RMI.

March 2024
Delivery of the Deloitte Honolulu to Majuro aviation demand study. The ATF, had identified and applied for consultancy assistance from the Australian Department of Foreign Affairs and Trade, through their Pacific Aviation Support program. We were assisted in our applications by Australian Ambassador to the RMI Mr. Brett Gerber, and Ms. Katrina Murray, Deputy Chief of Mission. The Deloitte study examined a myriad of scenarios and provided rational for each. The report mentions there is room for other airlines to successfully compete in the Majuro to Honolulu market segment and there is significant unmet demand particularly among price-sensitive Marshallese travels. A new airline offering lower fares could attract a substantial number of passengers. In conclusion the report showed a Hawaii route was economically feasible and that the best-case scenario, after a year's loss, would generate a profit of nearly $6 million over the next 3 years of operation.

May 2, 2024
ATF meeting with and presentation to Cabinet. Included copies of tentative agreements, ATF progress, reports on reorganizing the RMI aviation industry, financial feasibility and projection studies.

May 13, 2024
Submitted, to President Hilda Heine, at her request, Suggestions for discussion with our Republic of China (ROC), Taiwan, development partners. Also submitted a plan for Reorganizing the RMI Aviation Sector with the creation of a Strategic Aviation Authority. This plan was based on a consultancy report; Aviation Sector Analysis Report primarily authored by Mr. Scott Dillon.

The Scott Dillon report was part of the consultancy provided and paid by the Australian Department of Foreign Affairs and Trade, through their Pacific Aviation Support program. This report analyzed the present aviation industry in the RMI, makes critical observations, and provides an outline and suggested blue print for developing a robust Aviation sector that includes symbiotic relationship with air service domestic and international, tourism, hotels, resorts and operation of aviation assets. The Report mentions the importance of the aviation sector in promoting tourism, trade and economic development and establishing Majuro as an international hub. It suggests the potential for the airport to become a central point for commerce and connectivity and discusses the PPP alternative.

May 25, 2024
Fiji Air initiated discussion of limited possibilities for the Nadi – Majuro – Honolulu – Majuro – Nadi service Nadi – Tarawa – Majuro – Tarawa - Nadi service would take an estimated 12 to 15 months to initiate and requested our feed back

June 9, 2024
Submitted a Budget request to the Honorable Hilton Kendall, Minister of TCIT. The budget for FY2025 included 1) Startup funding for Nauru proposed air service Majuro-Honolulu route. 2) Allowance for ground support equipment. 3) ATF operations budget. 4) employment of a senior aviation expert and the establishment of an ATF office.

The startup component of the budget for the $1,300,000 provision to cover a potential short fall in revenue for the first-year operations, was based on Nauru Airlines proposal for round trip air fare of between $1,300 to $1,600. This was very similar to Fiji Air proposal

A similar budget had been submitted 28 July 2023 to the then Hon. Kessai Note, Minister of TCIT. The request was not granted.

June 17, 2024

Received request from the Embassy of China (Taiwan) through Secretary, Ministry of Foreign Affairs and Trade for data and information to help China Airlines assess its opening route from Guam or Honolulu to Majuro. The ATF provided complete response to the request.

June 20, 2024

Communicated with Gregory Danz regarding COFA Federal Programs and Services Agreement (FPSA), Article IX, Civil Aviation Economic Services and Related Programs for airline privileges, conditions and access to Essential Air Services provisions for the RMI.

July 11, 2024

Fiji Air, Amar Singh requested response to the preliminary evaluation for the NAN-MAJ-HNL service that would require approximately $1.3 million for the first years expected revenue short fall. ATF followed up with a response on July 12, 2024, that suggested alternatives to Fiji Air's proposal. ATF attempted to follow up on the June 9, 2024 budget proposal that would allow making arrangements for the Honolulu service to commence.

July 24, 2024

One of many e-mail threads between Fiji Air and the ATF. Amar Singh responded to ATF various scenarios, and stated: *We feel the key aspect of the proposed 1 x weekly NAN-MAJ-HNL service is the willingness of the RMI to agree to offset any revenue shortfall from operating the service.*

August 14, 2024

Met with China Air in Taipei, Taiwan

- Attendees:
  Republic of the Marshall Islands:
  Ms. Anjanette Kattil, RMI Ambassador to ROC (Taiwan)
  Mr. Jerry Kramer, Chairman, RMI Aviation Task Force
- China Airlines:
  Ms. Marian Lu, Vice President of Corporate Communications Office
  Mr. Eddie Yeh, Assistant Vice President, Corporate Development Office
  Ms. Michelle Kuo, General Manager, Public Affairs Corporate Communications
  Mr. Wayne L. S. Wei, General Manager, Schedule Planning Department
- MOFA:
  Mr. David Lin, Section Chief, Department of Asia-Pacific Dept., MOFA
  Mr. Jacob Wu, Desk Officer for the RMI, Dept. of Asia-Pacific, MOFA

Presentation and Proposals by ATF Chair:

- Explanation of the COFA provisions that would allow charter/code share between China Air and an RMI airline to provide flight service to include connecting
- Taipei-Honolulu-Majuro-Guam, other possible connections in the CNMI and elsewhere in the region.
  Possible equity position in AMI for China Airlines and/or management of AMI.

August 20, 2024

ATF member met face to face with Dr. Amar Singh, Chief Strategy Officer John Checketts, and other executives and staff at Fiji Airways Head Office

August 22, 2024

Met with CNMI Governor Arnold I. Palacios and Lieutenant Governor David M. Apatang in Saipan. Governor Palacious had heard of the COFA Federal Programs and Services Agreement (FPSA) between the USA and the RMI and the special privileges afforded to the RMI in that Article. That Article provides special privilege for an RMI based air service to operate between Guam and the CNMI, and internally in the CNMI along with other routes, normally restricted from foreign air carriers. Governor Palacious attested to full support and offered the CNMI's stock in UMDA with a value of around $500,000. He noted that depending on details of the service the Government of the CNMI would consider providing a subsidy.

August 27, 2024

- **Venue:** MIR Jakaro Conference Room
- **Present:** Chairman Jerry Kramer, Anoop Kumar, Fred Pedro, John Hawley, Francis C. Domnick with Hon. Hilton Kendall and Hon. Tony Muller.
- **Key Topics:**

1. **Short-Term Strategy:**
    - Secure $1.3 million for the first year to establish a Majuro-Honolulu flight. Operational costs are expected to decrease in subsequent years, with the potential for profitability by year three.
    - Address immediate needs for ground support equipment and airport certifications, with a proposed $500,000 budget to hire expert(s).
2. **Long-Term Vision:**
    - Negotiate partnerships with airlines such as Fiji Airways and China Airlines, focusing on joint ventures that utilize RMI rights without significant upfront investments.
    - Explore acquisition options for a 737-700 aircraft, estimating a $100 million requirement due to external challenges.
3. **Tourism and Economic Growth:**
    - Emphasized the critical role of air connectivity in bolstering tourism and economic development in the Marshall Islands.
    - Highlighted the importance of partnerships with Fiji Airways for direct flights and securing necessary landing rights and permits.
4. **Financial and Political Support:**
    - Stressed the need for political backing and financial commitments, including a goal to raise $2 million for Marshallese investments in aviation ventures.
    - Discussed potential long-term profits, with projections of up to $5 million annually by the third year of operations.
5. **Operational and Regulatory Compliance:**
    - Importance of hiring professional staff to handle certifications and regulatory processes.
    - Immediate need for TSA, FAA, and ICAO certifications to ensure airport compliance with international standards.

The meeting underscored the urgency of both short-term action and strategic long-term planning to establish reliable air service and maximize economic opportunities for the Marshall Islands.

Action Items:

- Secure a budget of $500,000 to establish a secretariat and hire a professional to re-obtain all necessary certifications and permits.
- Explore a commitment letter from RMI Government to provide a subsidy of $1.3 million for the first year of air service to Honolulu.
- Identify a qualified individual or firm to lead the effort of obtaining the required certifications and permits.
- Engage with the Australian Embassy and explore potential support or partnership opportunities.
- Prepare a detailed step-by-step plan outlining the responsibilities and timeline for re-establishing reliable air service to Honolulu.

Sept 3, 2024

Met with Australian Ambassador Paul Wilson to discuss further assistance for an expanded MOFAT financial study of different routes to take advantage of COFA privilege to facilitate competitive service to the RMI. Discussions included:

- Funding an extension of the feasibility done for the Hawaii connection to include going south - Fiji - Brisbane, and west: Guam - Taiwan - Philippines - Palau.
- Report on the success and prospects for continuation of the Australian subsidy that's facilitating routes both south and west.
- A route that includes Majuro Honolulu as an extension of the support given Air Nauru.
- Requesting an Australian program that could be tapped for training aviation fields in Maintenance, avionics, management of airlines operation.

September 9, 2024

ATF Letter to Mr. Eddie Yeh, Assistant Vice President, explaining RMI's situation, outlining ATF ideas of possible collaboration with China Air, requesting a response that would be on the agenda with RMI's MOFA meeting with President Lai Ching-te in his upcoming visit to the RMI.

September 30, 2024

Meeting with Hon. Ministers Hilton Kendall and Tony Muller at Marshall Islands Resort. Minister Kendall proposed that, rather than allocating funds immediately, a "Commitment Letter" from RMI could be provided. This would assure Nauru Airlines of RMI's intention to fund the MOU obligations for the MAJ-HNL-MAJ route, with the understanding that actual funds would be allocated three months before launch, once permits are secured.

October 11, 2024

Response from Eddie Yeh, Assistant VP, Corporate Development Office, China Airlines**.** China Airlines is not in a position to consider launching new flight to Marshall Islands at this time. Their concern is lack of aircraft and engines, insufficient market demand. They offer pilot and crew training.

October 22, 2024
Met with Guam Governor Lordes (Lou) Leon Guerrero. Discussed need, problems opportunity and support for an additional flight connecting Guam to Honolulu via Majuro, as well as service between Guam and Saipan. Explained the special privilege RMI has through the COFA FPSA, to operate in Guam, CNMI and Hawaii. She explained that their congress had proposed the inclusion of Guam and the Northern Marianas in the Essential Air Service program, and a special cabotage exemption for foreign carriers seeking to fly from Guam to another USA port. She explained the terrible costly structure of their only direct carrier, United Airlines. And how that not only negatively affected tourism from the US, but also was a hardship on the people of Guam and the CNMI to travel to visit family. She stated strong support and encouragement for RMI to assist in facilitating a collaboration with an Asian airline to provide a new competitive services.

October 2024
Commenced dialog with Ambassador William Toganivalu, Fiji's Roving Ambassador to the Pacific Island Countries and Territories, as well as to the Agencies of the Council of Regional Organizations in the Pacific (CROP). Our exchanges and phone call on November 1, 2024, mainly related to Ambassador Toganivalu's support for a Fiji Air connection to serve the expanding Fijian population in the RMI. We provided statistics and expressed support.

November 1, 2024
ATF member met with Nauru Airlines, executive team in Brisbane. One topic was funding the start up short fall for the first years MAJ-HNL route.

November 7, 2024
Kameli Batiweti, Fiji Air Executive Manager Industry, International & Government Affairs, wrote that in consideration of recent route planning, and the lack of required ASA agreements for the Tarawa-Majuro-Tarawa sector, the Honolulu route would be considered at a later date. This would be contingent upon the availability of additional narrow body aircraft and the successful revision of the ASA to enable revenue traffic on the Tarawa-Majuro-Tarawa sector.

November 22, 2024
Met with representatives from DFAT's Aviation team to discuss Australian aviation support to date. In particular, they were conducting monitoring and evaluation of the North Pacific Connector flights, operated by Nauru Airlines, the RMI Strategy report by Scott Dillon, and the Deloitte demand analysis report. ATF made the case for continued support of DFAT for the routes connecting the RMI, FSM and Palau with the South Pacific.

During the year, members of the Aviation Task Force have had multiple meetings directly and/or virtually with participants outside of the RMI, Including:

US Ambassador Laura Stone. Discussions included US position on a collaboration between AMI and China Air for flights that might include Guam, FSM, RMI, and Honolulu. Compact

conditions and the steps necessary to take advantage of the Special Programs and Services Agreement of the COFA. Specifically, Article IX, Civil Aviation Economic Services and Related Programs, with the provisions of Freely Associated State Air Carrier

Dr. Amar Singh. Senior Manager Network Planning, Fiji Airways. Discussions included Fiji Airways response and Preliminary Analysis for a Potential Air Service Agreement to include a once weekly 7M8 NAN-MAJ-HNL-MAJ-NAN service as proposed by the ATF. ATF pledged to assist with any requited amendments to the Air Service Agreement are necessary to facilitate a Majuro - Tarawa connection. ATF encouraged Air Fiji to consider a one-year trial for a weekly Tarawa-Majuro route, supported by a reasonable subsidy to mitigate potential losses.

Executives and staff Of Nauru Airlines, including Brett Gebers, Chief Executive Officer
Mariette Ebersohn, Chief Financial Officer

Executives and staff of Air Kiribati, including Kevin Rouatu, Chair, Board of Directors, Tomwa Baitika Tehumu, Chief Executive Officer. ATF discussed the possibility of a Majuro - Tarawa connection by Fiji Air. It was agreed it would be prudent to wait for formation of the new Kiribati Government after their general elections, with plans to discuss this proposal with them.

DFAT Australian Embassy, Marshall Islands, Ambassador Paul Wilson, former Ambassador Mr. Brek Batley, Deputy Head of Mission Caroline Reid, former Deputy Head of Mission Ms. Katrina Murray

Gaudencio S. Hernandez, Jr., Ex Director of the Asian Development Bank. Discussed assistance in connecting to Philippine Airlines (PAL), Cebu Pacific Air, PAL Express

Eudaldo "Benjie" Conde Atilano Jr., Honorary Consul of the Marshall Islands to the Republic of the Philippines. Discussed assistance in connecting to Philippine Airlines (PAL), Cebu Pacific Air, PAL Express

Air Marshall Islands, Albon Jelke, General Manager

Internal planing discussions and Plans for 2025:

- Pursue letter of commitment offered by Minister Kendall in the 27th August 2024 ATF meeting. if the Cabinet can issue the Commitment letter for $1.3Mil so Nauru Airlines Project can take place as short term solution within this government Term
- Investigate the possibility of a Public Private Partnership for Majuro Airport Ground Handling Services and look at possibilities as a long-term solution to establish a Majuro based air service that could include routes connecting Majuro, Kwajalein, FSM, Guam, CNMI, and Honolulu as well as other possible international destinations. focusing on a domestic airline for RMI makes strong strategic sense. Establishing an RMI-based airline would give the country control over its connectivity and allow gradual expansion based on demand and feasibility. Instead of waiting for foreign carriers, RMI could build an airline from the ground up ***(Marshall Islands Airways),*** targeting destinations like Honolulu, Nadi, and FSM, while also creating local jobs, enhancing cargo capacity, and growing the tourism sector.

- Pursue discussions with Kiribati Air and Fiji Air for a Majuro - Tarawa connection.
- Explore the possibility of an AMI connection Majuro - Tarawa to access or code share the ongoing flights through Christmas Islands to and from Honolulu, and the Tarawa - Fiji route
- Chase the budget
- Continue to contact other airlines and try to leverage the Deloitte study, and the COFA privileges to gain a position on a collaboration.
- Meet with other possible partners such as Quantas, Alaska Airlines
- Request information from Ministers Kalani Kaneko and Hilton Kendall on progress they are making in regards to air services agreements with Taiwan.
- Investigate and assist with securing all necessary aviation related permits and licenses to upgrade RMI's ability to take advantage of COFA Federal Programs and Services Agreement (FPSA), Article IX, Civil Aviation Economic Services and Related Programs. This is part of the functions expected to be performed by the consultant proposed in the ATF Budget request. To date we have identified items and agencies that need to be fully vetted:
  - DOT US Department of Transportation
  - FAA Federal Aviation Administration
  - TSA Transportation Security Administration
  - ICAO International Civil Aviation Organization. Establishes safety oversight standards
  - IASA International Aviation Safety Assessment. RMI had a Category 1 rating, which was canceled in 2013 since RMI did not maintain interaction between the FAA and its CAA.
  - CAA Civil Aviation Authority
  -

Critical Issue to be resolved:

There has been no response to the ATF budget request. Without the passing of the ATF budget request to cover the first year's operation deficit, the ATF cannot fulfill the tentative arrangements with Nauru Airlines, or Fiji Airlines. Without budget, for the consultant/manager position the ATF cannot fully explore items listed as the mandate and Terms of Reference in C.M. 009 (2023). Without renewed budget for ATF operations, the ATF will use up what funds are left for operations expenses, and then will not be able to function.

Respectfully submitted:

Current members of the RMI ATF

Jerry Kramer Chairman
John Hawley Vice Chairman
Fred Pedro Member
Anoop Kumar Member
Sophia Fowler Member
Carlos Domnick Member
Benjamin Graham, Non-voting Member