

## TT-Continental Airlines

# Sign 25-Year Franchise Pact

— The Trust Territory government has officially entered into an amended franchise agreement with Continental Airlines, following the agreement that was in effect during the first five years of the airline, through Air Micronesia, served the TT.

The new agreement will remain in force for at least ten to fifteen years.

Among major changes made in the original agreement are the termination of Continental's agency status, meaning the company will now pay all TT taxes; deletion of the company's pledge to construct six hotels, one in each district of the TT; and addition of statements which affirm that Continental has fulfilled all of its obligations to provide air service to the TT and in most cases provided a level of service that exceeds what was required.

The agreement was signed by Deputy High Commissioner Peter T. Coleman and Attorney General Richard I. Miyamoto for the government and by

Continental Senior Vice President G. Edward Cotter for the airline. It is to remain in effect until Aug. 2, 1978. It is to be automatically renewed for four additional periods of five years each or an overall total of 25 years, unless notice of intent to terminate is given by either party at least six months prior to each termination date.

Although the pledges are not contained in the franchise agreement, Continental has also agreed, according to government officials, to undertake a feasibility study on training Micronesians to become professional airline jet pilots and to undertake to train Micronesian management personnel for any Micronesian-owned hotel, when requested, whether or not Continental has any financial interest in the hotel. In the case of the pilot training study, Continental has stated that it will be completed before January.

There were numerous other changes made to the original

franchise agreement, most of which were technical in nature.

One clause which was retained, with slightly altered language, was the one which states: "While the government is unable to assure that all of the necessary authority will be forthcoming for services between existing or additional points within or outside the Trust Territory because the matter of such services is not under the control of within the jurisdiction of the government, the government will assist and support Continental from time to time in its efforts to obtain all necessary operating rights for such air services."

Continental is one of three airlines now seeking operating rights between Saipan and Japan. A government spokesman would not confirm or deny that this clause in the franchise agreement has the effect of putting the TT government on record in support of Continental's bid for the route.

Regarding the tax-free status,

the government has agreed in exchange that Continental would no longer be pledged through the agreement to offering a discount to persons traveling on official territory business.

The government feels the benefit to derive to Micronesia from having Continental, the largest single investor of outside capital in the TT, liable for paying the TT gross business receipts tax, would more than offset elimination of the discounted fares.

The hotel pledge was eliminated largely because Continental has been unsuccessful in reaching agreement with district officials in the Marshall Islands, Ponape and Yap Districts on the building of Continental-owned hotels there. The airline has fulfilled the hotel pledge in Truk and Palau. A hotel is under construction on Saipan in the Marianas. The new franchise agreement points out that Continental has spent more money and provided more

rooms, in the three hotels constructed that it was pledged to provide in all six districts under the original agreement.

In addition, the new agreement states that Continental is in the process of entering into arrangements to provide either management or operation assistance, including assistance or both to existing hotel facilities located in each of the districts of the Trust Territory in which it will own and operate hotels. Continental is now constructing a hotel for its own use in the Eastern Gateway Islands of Majuro, the Cliff Rainbow Hotel in Ponape, and the Rai Hotel in Yap.

In agreeing to study the feasibility of operating hotels in Micronesia for cockpits, Continental pointed out that such training is long and expensive. "This type of program is very complex and costly," said Cotter, and "no commitment could be made without considerable study."