

TRUST TERRITORY GOVERNMENT

# Memorandum

Office of the District  
Administrator, Saipan, M.I.

*Marrow*

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TO : District Administrator, Marianas

DATE: Jan. 25, 1974

FROM : Deputy District Administrator, Marianas

SUBJECT: Meeting in Honolulu, Hawaii Relative to Saipan International Airport  
(Isley), January 2 - 8, 1974

I. General information and statement of purpose:

In furtherance of development and planning for the proposed Terminal Facilities at the new Saipan International Airport (Isley), a series of Meetings were held in Honolulu, Hawaii, within the period January 2 - 8, 1974 (Honolulu dates and time used herein.) The principal participants in these Meetings were:

1. Mr. Dan E. Akinoto, Deputy District Administrator, Marianas District
2. Mr. Addison S. Marrow, Marianas District Programs and Budget Officer
3. Senator Edward DLG. Pangelinan, Marianas Delegation, Congress of Micronesia
4. Mr. Richard Miyamoto, Attorney General, Trust Territory
5. Mr. Charles Wright, Headquarters Public Works, Isley Airport Project Mgr.
6. Mr. Bob Weilbacher, Headquarters Division of Transportation
7. Mr. Leigh Fisher, Airport Consultant, retained by the Marianas District

Also present were other interested parties, such as officials of Parsons of Hawaii, Isley Airport Project designs contractor, officials of the Federal Aviation Agencies, representatives of Continental Airlines and Air Micronesia, and the Saipan Airlines Technical Committee. These latter attendees will be named and described in context with appropriate meetings.

The primary reasons for the meetings being held in Honolulu, at this time, was the urgency of either meeting requirements and/or developing unified directions in many elements of financing, management and operations because of the very limited time-span available before the convening of the Congress of Micronesia on January 14, 1974, and the projected completion of the Airfield proper around April, 1975. It is felt that a minimal one-year lead-time would be required to physically construct the Terminal facilities, meaning that physical construction would have to commence not much later than April, 1974 (with even more lead time needed for bid announcements, awards, etc.), in order to have a desirable

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simultaneous completion of the Terminal facilities with the Airfield proper.

A multi-million dollar Airfield constructed and opened to the public, with totally unsuitable makeshift facilities, would not only be completely ludicrous; it would have a totally regressive impact upon the burgeoning and vital tourist flow into the Marianas District, and by projection, upon general economic development. This, then, is the cardinal principal, under which the entire Saipan Airport Terminal planning and development is predicated: That in order to sustain and expand the critical flow of tourism into the Marianas, as well as the general economic boom now being experienced, it is absolutely necessary that a "First-Class" Air Terminal be developed, to the maximum of capabilities.

The Marianas District was extremely fortunate in having been able to obtain the services of Mr. Leigh Fisher, Airport Consultant, to "master-mind" the planning and development of the Terminal concept, particularly from the standpoints of funding options, design concepts, development of necessary bid documents and contracts, structuring of management organizations, development of needed legislations, etc. Mr. Fisher was scheduled to be available in Honolulu only on January 4 and 5, due to his other numerous commitments. In addition, the on-site availabilities of Parsons of Hawaii, FAA and others, made it profitable for the delegation from Saipan to proceed to Hawaii to meet with all concerned. Senator Edward Pangelinan (Marianas) of the Congress of Micronesia was requested to accompany the Trust Territory delegation to Hawaii, as legislation (mainly Duty Free and Airport Authority and Corporation formation) are crucial elements of discussions and decisions, at this juncture. For similar reasons, Attorney-General Richard Miyamoto's presence was critical to the Meetings, and his presence was also requested.

Deputy Distad Akimoto, Public Works Project Manager Wright, Senator Pangelinan and Mr. Weilbacher of Headquarters Transportation arrived in Honolulu the night of January 2, 1974 (Honolulu date). Attorney-General Miyamoto had gone to Hawaii earlier (on personal business) and District Programs and Budget Officer Marrow arrived around noon of January 3. Mr. Leigh Fisher arrived in Honolulu (from CLUSA) the evening of January 3.

## II. MEETING WITH PARSONS - THE INTERIM TERMINAL STRUCTURE:

On Thursday, January 3, the first meeting, which was with PARSONS of HAWAII (Designs contractor for the entire Isley Isley Airport Project) was held at approximately 9:00 a.m., at the Parsons Company conference Room. Present from the TT were all members of the "delegation" except Mr. Marrow, who did not arrive in Honolulu until around noon, and Mr. Fisher, who did not arrive until that evening. Representing

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PARSONS were: Messrs. Matt Oliver, Charles Dutton and Paul Lee. Also present was Mr. Gordon Bradley, former Trust Territory Director of Public Works, and now President of Hawaii Architects and Engineers, whose presence was requested by the TT delegation, due to his background and familiarity with the Isley Airport Project. (Mr. & Mrs. Bradley hosted a very pleasant and enjoyable dinner for the TT group that evening at their residence.)

After a general review of present design and construction plans for the Terminal Facilities (including Parking, access and internal roads, etc.), presented by Mr. Charles Wright, discussions shifted to the main consideration of the moment, i.e., the possible necessity that only one building of the multi-buildings Terminal can initially be constructed in time for the Airfield completion, due to the very limited time-span available, and the limitation of available "TT Funds" (around \$900,000). This "contingency" plan (or perhaps more accurately, "first-phase plan") is necessary, because the total desired Terminal complex is price-tagged at around \$3,000,000, and the only more-or-less "guaranteed" funding available, is the previously mentioned \$900,000 in TT appropriations. The remaining \$2,000,000 must be raised from "outside contributions" (Airlines, Concessionaires and possibly "Third Party"), and its availability is still conjectural. In effect, all these planning, recommendations, proposals, meetings etc., are all necessary only because of the extremely involved and complex nature of governmental and legislative policies and regulations, which must be complied with and/or surmounted before "outside funds" can be accepted and utilized. Potential Airline tenants and Prime Concessionaires have already given preliminary indications that they are quite willing to put up the necessary funding, and even more, if necessary, provided adequate safeguards can be assured for their investments.

However, in recognition of the "hard facts of life" that the total \$3,000,000 may not become available in time, and the determination of this Administration that we will not regress to "makeshift" Terminal facilities, it has been decided that immediate and complete construction would be undertaken of the "Arrivals Building" (the building to the left on the Preliminary Airport Design), as well as necessary complementary facilities, such as baggage stands, driveways, parking lots, maintenance building, fire and rescue building, complete site preparation, etc., within the limitations of the existing \$900,000. (i.e., TT appropriated funds.) This initial "arrivals" Building and related Driveways, parking area, etc., would be constructed in a design, location and dimension compatible with the total proposed Terminal Complex, with the remaining facilities to be erected as soon as funding and construction capabilities become available.

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Since this "first-phase" Terminal structure must serve as both the Arrivals and Departure building (as well as incorporate amenities such as concessions, etc.), PARSONS Company presented a proposed modified "Arrivals Building" design, to temporarily meet the requirements for all airport terminal activities within this one structure. It was agreed that "hard-designs" for this interim, combination Arrivals/Departure building would be completed by PARSONS by April, 1974, including designs for parking, electricals, necessary internal roadways, etc. It was also indicated that "site-work" would be accomplished for the entire Terminal complex, at this initial stage (i.e., clearance, grubbing, levelling, etc.), as it would be much more economical to proceed in this manner.

On the question of a "Snack Bar", it was the consensus of opinion that a "Mobile Canteen" type would probably be the most feasible alternative during this interim period. A possibility mentioned, and well-received, was the utilization of a Mobile Trailer for this purpose, to be emplaced and owned by the Airport Authority, and to be leased to a Snack Bar concessionaire.

Also mentioned was the possible desire of the Military to be involved in designs, planning, maintenance and construction, due to the "Joint-Use" factors, but the consensus of opinion was that the Military would probably not want involvement to this degree. It was, however, agreed that the Military should at least be fully informed of designs, structuring, etc., to insure that we do not receive retroactive demands for modifications (such as relocation of facilities) which could be costly and wasteful. It was noted that FAA Standards and Military Standards for safety structuring are not necessarily alike.

III. MEETING WITH FAA-TERMINAL LEASES FIRE AND RESCUE, ROTA AIRFIELD, RELATED MATTERS:

At 3:00 p.m. of Thursday, January 3, the TT Delegation met with the FEDERAL AVIATIONS AGENCY (FAA) at the FAA Building. All members of the TT Delegation were present, except Senator Pangelinan, and Mr. Leigh Fisher, who had not yet arrived in Honolulu. Representing the FAA was Mr. Bob Beremand, Programs Officer of the Airport Division of the FAA, acting in behalf of Mr. Herman Bliss, Resident Manager of FAA-HAWAII, who was not present. Also present for FAA were Messrs. Sumida and Hayama. Messrs. Matt Oliver and Charles Dutton were present, representing PARSONS COMPANY.

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Discussions began with the noting of a need for the FAA to review the proposed prime Concession Bid solicitation document and Terms of lease, therein contained. This "review" is required due to FAA involvement in Isley Airport Funding. Mr. Brennan (TT) indicated that the review would be completed by the following day (i.e., by January 4), and FAA comments and recommendations presented to the Trust Territory delegation.

Discussion then moved to the proposed "Fire and Rescue" Building and the possibility of obtaining FAA funding assistance, on a "matching" basis through ADAP, due to the inadequate funds presently available to the Trust Territory. It was noted that the TT proposal is to structure this Fire and Rescue facilities to accommodate 747 Aircrafts, which will, in all probability be utilizing the Airport, and that the Fire and Rescue organization would be based on a "full-time" basis, in due recognition of the relatively heavy traffic anticipated. The FAA indicated a favorable attitude towards this request for FAA funding assistance. The descriptions and proposals prepared by Fire Supervisor Tom Brennan (TT) was presented to the FAA for review and recommendations. A meeting was scheduled for Monday, January 7 to further discuss after FAA reviews. Funding would be targetted for Fiscal Year 1975. Messrs. Wright and Marrow, with the assistance of Tom Brennan, will undertake this Project.

The next topic discussed was the subject of "Access Roads." This relates to the need for a stretch of road within the Airport perimeter (i.e., leading from the Island Road to the Terminal area), for which the Airport Project lack sufficient funds to amply develop. Unfortunately, the "response" of FAA as to the possibility of obtaining Federal funding assistance was somewhat on the negative side.

Charles Wright then briefed the Meeting on the water resources available in the Airport area, including the possible utilization of the Airfield Runways as water catchments. It was noted that a "Change Order" on the present Airfield construction would be needed, involving a re-alignment of presently designated fence-lines, to more amply utilize the area for water catchment purposes. This "Change Order" will be prepared by Hdqtrs Public Works.

As a related matter, discussions took place on "Waste-Water" (sewage) disposals systems at the Airport. Wright indicated a preference for a system of "lagoon disposal", as being preferable to the presently approved (in the Environmental Impact Statement) septic tank system.

Budget Officer Add Marrow raised the question as to whether or not there was any FAA Regulations that required "competitive" bidding on

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Prime Concession on an "Open" basis (i.e., not restricted to local enterprisers only). Mr. Beremand (FAA) indicated that the FAA would be willing to "comment", but that he did not believe that the FAA had jurisdiction in such a determination.

The discussion then shifted to ROTA AIRFIELD. It was noted (by Budget Officer Marrow) that only \$185,000 was budgeted in the FY 1975 Budget for this airfield, and that sum would be inadequate to accomplish what has been indicated as being a desirable paving of the Rota field. The possibility of FAA participation in funding was broached, and an inquiry made as to what "added requirements" would develop, as a result of such Federal participations. Mr. Beremand (FAA) indicated that he could not comment without additional data and justifications, and suggested that the TT Government should submit more data and a more specific request to the FAA for review and comments. This task will be undertaken by Budget Officer Marrow, with the assistance of Charles Wright and District Director of Public Works Tony Tenorio, should this approach be deemed desirable.

#### IV. FIRST MEETING WITH FISHER-ORGANIZATIONAL AND FINANCIAL STRUCTURING:

On Friday, January 4, at 9 a.m., the entire TT Delegation met with Mr. Leigh Fisher, Airport Consultant, at the Conference Room of the Continental Airlines Offices. Also present at this Meeting were: Mr. Rocky Stone, Vice President for Continental Airlines, Mr. Cliff Argue, Chairman of the Saipan Airlines Technical Committee (and also an officer of Continental Airlines) and Mr. Barrie Duggan, Vice-President and General Manager of Air Micronesia. The meeting was conducted by Mr. Leigh Fisher.

Initially, Mr. Fisher reviewed the various types of structuring of Airport Management and Ownership possible, i.e., Government Corporation, Airlines Corporation, Contracted management, etc. It was noted that the "Government Corporation" route would require statutory sanction (i.e., the equivalent of the establishment of a Port Authority) and that membership in this "Government Corporation" would be by statutory provisions. It was noted, however (primarily by the Attorney-General) that, in the case of the Trust Territory, that this "Government Corporation" (or more accurately, "Government Airport Authority" and so referred to hereinafter) could be established by Executive Order of the High Commissioner, in accordance with provisions of the Trust Territory Code.

In this respect, discussion took place as to the "survivability" of any terms of establishment and delegation of authority, contract and lease agreements etc. now approved because of the on-going "Political Status" negotiations, particularly in the Marianas with a very possible early status changes. This is a confusing and difficult area to try to resolve into a fixed line of approach in the face of a very liquid and flexible

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"status negotiation" situation, but it was mutually agreed that we would have to proceed on the premise that the new government would honor statutory and contractual obligations of the existing government, as any other approach would be utterly chaotic and impossible to administer. Senator Pangelinan noted that legislation has already been enacted (by the Congress of Micronesia) turning over all Public Lands to the Districts, except for Military Retention Land, and that this would, undoubtedly, have a major impact upon leasing of Public Land by the Airport Authority and terms thereof. (Note that Isley Airport is located on Military Retention Land, and is being utilized under a Joint-Use Agreement with the U.S. Military.)

Discussions and review then shifted to the "Instructions, Proposal Form and Form of Agreement For Food-Beverage-Merchandise Concession at the Saipan International Airport" draft (Revision of November 12, 1973), which had been drafted by Mr. Leigh Fisher. This is, in effect, the "Bids Solicitation" document, based upon which the prospective bidders would submit their Bids for the Prime Concession at the Airport... a major element being the exclusive franchise to operate the Duty Free Shop at the Airport. It is felt that a Duty Free type operation would be essential to the Prime Concessionaire, to be able to obtain the high volume of income necessary to warrant the one million dollar "Front-End Load" (advance) required in the bid specifications. (This draft "Bid Solicitations" document is the document which requires FAA review, as described in PART III of this Report.)

It should be noted, at this juncture, that at the present time, this Bid Solicitation for "Prime Concession" privilege (of which Duty Free Shop exclusive operational franchise would be an integral feature) is based upon a One Million Dollar minimal "front-end load" (i.e., advance payment of lease and percentage upon award of the concession), which would be amortized over a span not to exceed 15 years, and which would serve as the source of funding for the construction of the concessionaire buildings (and related facilities) of the Terminal complex. Without this "front-end load" (and the authority for the Airport Enterprise Fund to retain this and future lease and gross percentages income for amortization purposes), the construction of the Terminal Complex, as now visualized, would not be possible. In essence, this ability to receive "front-end load", to retain all airport income, and to utilize such income to amortize the "front-end load" and to meet operational and maintenance costs, is the whole ballgame!

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It was clarified, at the Meeting, that the "Prime Concessionaire" franchise related to operations in food services, beverages, general merchandise and Duty Free sales, but did not give the prime concessionaire an exclusive in such areas as Tours accommodations, local produce and handicraft sales, U-Drive and other "locally-oriented" enterprises. (For more details, see the proposed "Instructions, Proposals Forms", etc., Revision of November 12, 1973.) The FAA "comments and recommendations" on the Solicitation (see Part III, FAA), which had been duly received on January 4 as promised, was reviewed, and Mr. Fisher indicated that he would incorporate these recommendations into the draft Bid Solicitation package.

Discussions then were held on the desirability of exempting the Prime Concession from the "Foreign Investment Act" (Public Law 3C-50, as Amended) to make possible operation of the Prime Concession by non-local organizations; the exempting of the Prime Concessionaire from any Duty, Taxes, Licensing requirements (including Municipal Licenses), with the exception of employee and corporate income taxes, mainly to prevent draining of airport resources by local taxing authorities. In this respect, Attorney-General Miyamoto raised a question (and Deputy Distad Akimoto echoed a similar doubt) as to the need for tax and licensing exemptions for the Airport Authority and Corporation, if the Airport Management (both Authority and Corporation) were creatures of the District Government, and therefore, per se, exempt from taxation and licensing requirements due to sovereign immunity. (The Government does not pay taxes or obtain licenses from itself. The Municipal government cannot tax or require license of a higher level of Government.) These considerations will be given full weight in final development of the Bid Solicitation and Award to the Prime Concessionaire.

Considered next was the concept of having the Airlines (as a group) advance \$125,000 for immediate "Hard Plans" to be developed by Parsons Company on the "Departure Building". As previously noted (see Item II, PARSONS), the contingency "first-phase" plans called for immediate construction of only the "Arrivals" Building (which would temporarily be used as an "all-purposes" building), due to the limitation of only \$900,000 in appropriated (i.e., more or less guaranteed) funds. This \$125,000 would make possible immediate design work by PARSONS on the "Departures" building, therefor getting a early start on final constructing of the "Departure Building" (which in essence would be the Airlines Building), instead of delaying a start until all financial, legislative and other regulatory red-tapes are unwound. (In the Preliminary Design sketch of the Airport, the Departure Building is the building to the right)

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In essence, the ultimate funding for the Departure Building would come from the \$1,000,000 "Front-End Load" (i.e., advance payment of space rental) to be required of the Airlines. This "Front-End Load" would be amortized over a span of 15 years, as is the case with the "Front-End Load" to be required of the Prime Concessionaire. There seemed to be some disagreement (or at least misunderstanding) as to whether or not the Airlines had committed itself to such a "Front-End Load" of One Million Dollar plus, or whether they had only agreed to construct the "Departures" Building or whether they agreed to anything at all! This matter will have to be further reviewed and considered.

More seriously, there seemed to be a disagreement (misunderstanding?) as to whether or not the Airlines had committed itself to an immediate advance outlay of the necessary \$125,000 for "Hard Plans" on the Departure Building. As voiced by Vice-President Rocky Stone of Continental Airlines, this willingness of the Airlines to "advance" said \$125,000 was predicated on "assurances" from the TT Government that the rest of the Airport package (i.e., retention of revenues at the Airport, establishment of an Airport Corporation, etc.) would be adopted. Herein lay a dilemma and paradox, as the very reason for wanting this "advance" of \$125,000 by the Airlines for the "Hard Plans" was to circumvent the otherwise unavoidable delays while legislative and administrative requirements were being examined and overcome to make possible the total package, and no one is in a position to unequivocally give, at this time, such "assurances" as requested by the Airlines.

Airport Consultant Fisher then proposed that the \$125,000 be immediately advanced by the Airlines, with the proviso that should the total Airport package not be adopted (i.e., if the Terminal cannot be constructed and operated as visualized), the Airlines would be allowed to amortize this \$125,000 against future space rentals in the ultimate compromise Terminal that would be constructed, assuming that the Airlines would still need space, regardless of what sort of Terminal is finally structured. This seemed to be generally agreeable to the Airlines representatives and to the TT Delegation. (It should be noted that VP Stone of Continental Airlines has been designated as Negotiating Officer for the Negotiating Committee of the Airlines involved.)

Vice-President Stone then noted that although he was the Negotiating Officer for the Committee, he can only speak for Continental Airlines (including Air Micronesia) and Japan Airlines, at the present time. Pan American Airways had reserved the right to "back-off", based on the ultimate Japan-Saipan-Guam route decision, and Air Pacific had only verbally indicated "concurrence" and had not followed up with

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any written guarantee of participation. However, this should not create a major obstacle, as the "surviving airlines" would be able to "buy-out" the shares of the other airlines, should PanAm and Air Pacific withdraw from this arrangement.

Discussions then shifted to the organization and operation of the proposed AIRLINES TERMINAL CORPORATION. This is a concept whereby the tenant Airlines would incorporate themselves into a "Joint venture", and would assume full responsibility for the entirety of Terminal facilities operations, management and maintenance. They would receive this mandate for functioning as such, from the "owners" of the Airport, which in this instance would be the Marianas District (and/or TT Central Government), as personified by the Airport Authority, which would be a governmental body, created by Legislation and/or High Commissioner's Executive Order. The degree to which the Airlines Corporation (i.e., the operators) would be given latitude and independence in management and operations would be dictated by the Authority (the "owners"), in the Agreement for Management and Operations, which would be a prerequisite of such an arrangement. These mandates and details for operations and management can, of course, be stipulated in the Airlines Terminal Corporation incorporating document. Vice-President Stone indicated the willingness and desire of the involved Airlines to so incorporate and assume this function.

Under this concept, the Government (High Commissioner) would establish an "Airport Authority", either by legislation or by Executive Order, which Mr. Fisher recommends should be staffed by District officials. This Authority would oversee the total Airport operations and development (including the Airfield, as well as the Terminal), and would designate an "Airport Manager", who Mr. Fisher feels should not be a full-time position. (Mainly due to the danger of "empire building" and "make-work" by a Full-Time Airport Manager.) There could be a full-time, Airport Superintendent at the Airport itself, employed by the Authority. (Bear in mind that under this concept, the operations and maintenance of the Airport Terminal is "contracted" to the Airlines Corporation, and that said Corporation would be performing all the day-to-day functions. In essence, the Government employed Airport Manager and Airport Superintendent would mainly be liaison, inspectors and supervisors, in behalf of the Airport Authority and the District Administrator.)

The entire feasibility of this type of participatory funding and management operation of the Airport, however, still revolve around the capability of having all (or at least, a major proportion) of airport income flow directly to the airport "Enterprise Fund", and have operational and management expenditures met from that Fund, as

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well as amortization of "Front-End Loads" (Advances) from the Airlines and Concessionaires for initial construction. Existing Policies and Procedures of the Government (through Secretarial Orders, Directives and Regulations and Legislation) decree that such income either flow to the Congress of Micronesia for unspecified appropriation and/or to the Trust Territory Headquarters for equally unspecified allocation, with no fixed stipulation that such derived revenues and income revert to the deriving activity.

Manifestly, such a flow of income to a "third party" (i.e., either HQ or Congress of Micronesia), with no guarantee of reversion of such income to the deriving activity (i.e., Saipan Airport) would make extremely difficult, if not impossible, a concept of "Front-End Load" advance, upon which this whole construction and development concept is based. The Airlines and potential Concessionaires have indicated that they could not engage in such "Front End Loads" (i.e., advances for construction) or assume management and operation as a Terminal Corporation, under any other condition than direct reversion of income to the Airport Enterprise fund, as their amortization of the "Advance" and Terminal operations funding being at the whim of annual appropriations and allocations over the necessary span of years, would be extremely precarious, to say the least!

As this question of the "flow of funds" is the crux of the whole matter, this matter will be given the major attention and emphasis, as the whole concept of the full-scale Terminal is hinged around the direct flow of income to the Airport management. Should the "flow" be diverted to other areas (as existing policies and regulations decree), the Airlines and Prime Concessionaire will, undoubtedly withdraw their willingness to "Front-End Load" (Advance), and the whole construction capabilities will collapse, the income and "first-class operations" potentials will evaporate, and Saipan Airport will regress to a make-shift, poor quality operation, with disastrous impact upon tourism and economic growth!

Although it has not yet fully and conclusively been determined just how these amendments and authorizations to permit direct flow of income to the Saipan Airline Enterprise Fund will be obtained, it is presently planned to incorporate such provisions in the proposed organizational and establishment Orders and/or Legislations for the Saipan Airport Authority (parent governmental body) and the Saipan Terminal Corporation, as well as in the proposed Duty Free legislation. In addition, it will probably be necessary to open dialogue with the Office of the Secretary of Interior, whose Secretarial Order 2902 decreed reversion of most classes of revenues to the Congress of Micronesia, and who recently directed that Landing Fees be reverted also to the Congress of Micronesia. (Landing Fees being denied to the Saipan Airport Enterprise Funds would deprive the Airport of a significant source of income.)

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A question was raised as to the authority of the Airport Authority to lease space within the Terminal complex to others, under existing regulations. Attorney-General Miyamoto responded that he did not think so, as the High Commissioner was the only person who was authorized to "lease" government land to others, but it was pointed out that the Mariana Islands Housing Authority (MIHA) did lease land to others, based on delegated authority from the High Commissioner, and that the same provisions should probably be made to apply here. Attorney-General Miyamoto and Senator Pangelinan indicated they would check out this matter and clarify.

The next item of discussion was the impact of the "Joint-Use Agreement" with the U.S. Military for Isley Field, and whether such Joint-Use Agreement mandated military involvement of the Terminal complex and operational/management and maintenance programs. For one thing, the Joint-Use Agreement does not allow for a "sub-lease" of Isley, which could serve as a "stumbling block" in the development of, and operation of a Saipan Airlines Terminal Corporation, and in other necessary leases and contracts. Attorney-General Miyamoto indicated that he would review and clarify this matter, developing a request for amendments to the JUA, if necessary.

Vice-President Rocky Stone then explained the concept of the Saipan Airlines Corporation management and operation of the Terminal, which is, in essence, that the Corporation would undertake all elements of maintenance, operations and management, including but not limited to collection of income due (such as rent, etc.), payment of all Terminal expenditure, maintenance of appropriate accounting and financial records, and filing of periodic financial statements to the Airport Authority and others as may be duly designated, housekeeping and maintenance, supervision of other tenants and concessionaires (from the standpoint of compliance with Terminal and Airport Authority regulations), and perform such other functions as may be necessary to insure an efficient, acceptable and desirable Terminal operation and management. The Corporation indicated they would like to go as far as select the "non-prime" concessionaires, subject to the approval of the Airport Authority. This was received with mixed feelings, as some felt that this prerogative should remain with the Authority, due to local requirements.

In the event that Terminal income should exceed expenditures, the "residual" funds would be turned over to the Airport Authority (Gov't), for utilization by the Authority as it may deem appropriate or as stipulated by regulations. In this respect, the Airlines Terminal Corporation will submit annual Budget Requests to the Airport Authority, and will conduct its operations within the scope of this approved Budget. The Airlines Corporation will derive its own income by stipulated "Management fees", and Vice-President Stone indicated that the Corporation was prepared to "guarantee" a "no-deficits" operations of the Terminal

to the Airport Authority. Included within the "expenses" of the Terminal operation would be the payment of a "nominal" and reasonable rental to the Congress of Micronesia (or District Government, when so structured), to compensate for the utilization of Public land.

Although it was not fully stipulated as to what purposes the Airport Authority would utilize the Fund developed by turnover of "residual funding" to it by the Terminal Corporation, Mr. Fisher indicated that fund should not be utilized for future capital improvements, but should be used for "back-up" for further "borrowing" by the Authority for any necessary capital improvements and expansions. This area of capital improvement funding was not clearly defined, and was subject to much discussion and lacked mutuality.

V. SECOND MEETING WITH FISHER--CONTINUATION OF FIRST DAY DEVELOPMENT OF DUTY FREE LEGISLATION, ETC:

On Saturday, January 5, the entire TT Delegation and the Continental Airlines representation again convened with Mr. Leigh Fisher at 9 a.m., again in the Continental Airlines Conference Room. Vice-President Rocky Stone, Airline Technical Committee Chairman Cliff Argue and Air Micronesia Manager Barrie Duggan departed the meeting at 10:30 a.m. to return to California.

The Group concentrated, on this second meeting, with the drafting of the proposed Duty Free Legislation to the Congress of Micronesia, with Senator Pangelinan indicating that he would introduce the Bill. (Late note: On January 16, 1974, Senator Pangelinan indicated that the Duty Free Legislation, which had been received from Mr. Fisher on January 15, was duly introduced to the Congress, without any changes from the proposed draft, as submitted by Mr. Fisher.)

It was noted that a "Duty Free Legislation" had previously been submitted by Senators Pangelinan and Olympio Borja to the Congress of Micronesia, and had been adopted, but not approved by the High Commissioner. This "previous legislation" was initially reviewed. Major features that would be incorporated in the newly proposed Legislation were as follows:

1. The feature in the old legislation permitting duty-free purchases even for "inter-District" travel (but not intra-District) would be retained.
2. Gross percentage to be paid by the concessionaire to the Administering Authority would not be less than 10%.

3. The term (tenure) of Duty Free franchises would not exceed five years, except where the concessionaire has paid advance rentals ("Front-End Load") of one million dollars or more, in which case, the High Commissioner may extend the term to a period not to exceed 15 years. (This would effectively meet the present situation at Saipan Airport, where the Prime Concessionaire has been advised that his "Front-End Load" would be a minimum of one million dollar and that a 15 years amortization period would be granted.) These Agreements may not be extended, and at the end of the Term, would have to be re-bid.
4. Sales, assignments, etc., of the Prime Concession franchise can only be with the written consent of the governing authority. (This feature was contained in the old legislation.)
5. Revenues will flow into the District in which the Port of Entry is located. The Airport Authority will then flow the money into the Terminal Corporation's Enterprise Fund, This, of course, is the "crux" of the entire Terminal Management and Operations concept, as previously stated. (See Part IV., FIRST MEETING WITH LEIGH FISHER.)
6. "Duty Free Ports" shall be designated as being all official TT Ports of Entry. In the Marianas, this would be: Isley Airport, Charlie Dock, Rota Airport and Harbor and Tinian Airport and Harbor. No other retail "duty free sales" would be permitted, other than at the Ports of Entries.

VI. SCHEDULE OF "THINGS TO DO" AS AGREED AT SECOND MEETING WITH LEIGH FISHER:

The second meeting with Airport Consultant Leigh Fisher ended with a recapitulation of the necessary measures and steps which still needed to be taken. Mr. Fisher departed Honolulu on Saturday, January 5 at approximately 4 p.m.

1. Drafting of DUTY FREE LEGISLATION by Mr. Leigh Fisher, to be mailed to Senator Pangelinan and Attorney-General Miyamoto at the earliest possible date for introduction to the Congress of Micronesia. (this has already been done, as of January 16, 1974 as previously noted.)
2. DUTY FREE BID SOLICITATION PACKAGE: As previously noted, this "Package" has already been drafted as "Instructions, Proposal Form and Form of Agreement For Food-Beverage Merchandise Concession at the Saipan International Airport", Revision of November 12, 1973,

by Mr. Fisher. Attorney-General Miyamoto will incorporate new languages, as necessary, into the Bid Package, to enable the District to assign awarded leases and rentals to the Airline Terminal Corporation for construction, operations and maintenance. In this regards, Mr. Fisher would write to the FAA in reply to their comments and recommendations relative to the Bid Package (which was received on January 4, see PART IV.), with a copy to Attorney-General Miyamoto, so that Mr. Miyamoto can incorporate these comments into the re-wording of the Bid Package.

3. SAIPAN AIRPORT AUTHORITY EXECUTIVE ORDER: To be drafted by Mr. Fisher and drafts sent to Attorney-General Miyamoto and Senator Pangelinan for appropriate revisions and submittal to the High Commissioner for adoption. (Establishment of the Airport Authority could be by legislation, a perhaps even more desirable route, for political reasons. This option will be carefully considered.)
4. Budget Officer Addison Marrow to gather together all Interior Department instructions relative to the "flow of funds", as pertain to the Airport operations and management, and forward to Mr. Leigh Fisher.
5. AMENDMENT TO JOINT-USE AGREEMENT to meet requirements of Saipan Airport development. (Note comments as to impact of Joint-Use Agreement in Part IV.) To be done by Attorney-General Richard Miyamoto. Attorney-General Miyamoto and Deputy Distad Akimoto visited the Office of Mr. Samaritino of the U.S. Navy Real Estate Section on Monday, January 7 to discuss this matter, as well as matters related to Military Retention at Tanapag Harbor in Saipan. Mr. Samaritino was not present (off-island), and discussion took place with Mr. P.D. Johnson of that Office. At this stage, nothing conclusive could be determined, and the need for correspondence between the Navy and the Trust Territory on these matters of the "Joint-Use" Agreement was indicated.
6. AIRLINE TERMINAL CORPORATION: Establishment and incorporation documents drafts will be prepared by Mr. Fisher and copies sent to: The Attorney-General, the District Administrator and Senator Pangelinan for review and eventual submittal to appropriate authorities and bodies. It was recommended by Mr. Fisher, and generally accepted, that the composition of the Terminal Corporation should be limited to Airlines with CAB authorization, Bi-lateral authorization (i.e., foreign airlines with such authority) and those with TT authorization to operate on a "scheduled" or recognized "air taxi" basis.
7. LANDING FEES: It will be necessary to get Director Carpenter's (Office of Territorial Affairs, U.S. Department of Interior) orders amended, to permit flow of Airport Landing Fees to the appropriate earning Airport activity Enterprise fund, as "Landing Fees" constitute

a significant and vital requirement for successful funding and operation of the Airport Terminal and Airfield. In this regards, it is also necessary to insure that said Landing Fees revert to the Enterprise Fund of the earning Airport and not to the Headquarters General fund, although a percentage division may be acceptable, in recognition of the role of Headquarters Transportation in Territorial aviation.

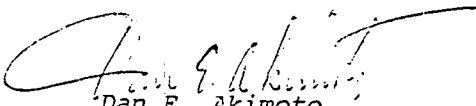
8. RELATIVE ROLES OF HEADQUARTERS AND THE DISTRICT IN AIRPORT MANAGEMENT:

These are contained in fairly comprehensive details in Mr. Leigh Fisher's memorandum of November 8, 1973.

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As apparent from the above, much has been accomplished, but the road ahead is still a long, bone-breaking, tortuous and precarious one! However, it is still the firm consensus of all involved, that this "dream" can come true, and that the first-line Airport and Terminal that will develop, as a result, with its greatly beneficial impact upon the Marianas economy and "life-style", as well as the peripheral benefits to Guam and the rest of the Trust Territory, will be well worth the "blood, sweat and tears"!

Senator Pangelinan departed Honolulu on Saturday, January 5; Attorney-General Miyamoto on Monday, January 6, Deputy Distad Akimoto, Budget Officer Marrow and Bob Weilbacher of Headquarters Transportation on Tuesday, January 8, and Mr. Charles Wright of Headquarters Public Works on Thursday, January 10.

  
Dan E. Akimoto

cc: High Commissioner  
Director of Transportation and Communications, TT Hdqtrs  
Mr. Charles Wright, Isley Project Manager, HQ Public Works  
Senator Edward DLG. Pangelinan, Marianas Delegation, COM  
District Programs and Budget Officer, Marianas  
Attorney General  
Programs and Budget Officer, TT Hdqtrs  
Mr. Leigh Fisher, Airport Consultant, Marianas District  
District Director of Public Works, Marianas  
District Planning Officer, Marianas  
Director of Public Works, TT Hdqtrs