

bcc to: Miss Mary Trent
TT Liaison for Status Negotiations
Committee

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Marianas

February 15, 1974

Mr. Stanley S. Carpenter
Director, Office of Territorial Affairs
Department of the Interior
Washington, D. C. 20240

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Dear Mr. Carpenter:

I call your attention to the brief discussion between you and our Attorney General, Mr. Richard Miyamoto, during your recent stay in Honolulu, the subject I refer to is that of funding and operating our new Isley Airport here on Saipan. As you will recall, you had some reservations about the possible conflict of this endeavor and the current Status negotiations. Mr. Miyamoto alerted the staff of the District Administrator, Marianas of your reservation and suggested that they set up a meeting, with Mr. Jim Wilson and discuss the Airport plans with him. This has been done and Mr. Wilson has indicated that he sees no conflict in our proposed plan and the future Status negotiations. Therefore, I would like to propose to you the action that seems necessary within the Administration to enable us to proceed with this most important and exciting endeavor.

First and foremost, we believe that Isley Airport can be one of the first, if not the first self supporting venture within the Trust Territory Government. For this to become a reality, we need several authorizations from both the Administration (yourself) and the Congress of Micronesia.

(a) The authorization needed from the Congress of Micronesia is already in process, that of a Duty Free Concession Bill. In this bill we have asked for not only exemption of import duty for the Concessionaire to whom we sell the privilege, but, also authorization to retain this revenue within a local "Enterprise Fund", which will support this particular airport. The bill also provides for authorization, if desired, to demand and retain advance concession fees (of \$1 million or more) for the purpose of funding the concession and other Terminal buildings if necessary. This bill has passed the Senate and is now in the House, and results look very favorable.

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(b) Authorization from your office is needed for the following revenues to be directed to our Airport "Enterprise Fund",

- (1) "Airport Landing Fees"
- (2) "Lease/Rental of improved and unimproved Real Property"

These revenues were assigned by Secretary of Interior's letters as revenues flowing to the Congress of Micronesia, one letter signed by yourself on November 15, 1973, and the other by Mr. Leasch in 1969. We believe that the people of Micronesia would benefit by this reversal because it will enable the management of this vital airport to be done without the aid of the already scarce operation funds. This belief is supported by the fact that our Duty Free bill, which withholds Congress of Micronesia revenue, is progressing nicely and that the Marianas Delegation has unofficially endorsed our proposal of the reversals herewith requested.

For your further enlightenment on our total Isley Airport package, I would like to give you a summary of progress to date; Isley began as a budgeted item in about FY-1970 to be solely funded by TT to rehabilitate the World War II 8500' bomber strip. However, it was found that it could not meet minimum FAA specifications without major work which was far beyond the \$2 million we had budgeted. It was suggested that we apply for FAA aid and we did. The aid was a matching fund agreement of 75% to our 25%, on items that qualified. Most of these items are on the runway and associated areas and we now have a contract with American International Co. for \$3 million which includes a little over a million of our grant funds. We waited purposely until after this contract (which received the bulk of the FAA matching funds) was let to determine how much would be left towards funding the Terminal Facilities. The amount left in our grant funds is approximately \$900,000.00 to fund a Terminal Facility which has been priced out at \$3 million. With these facts we were forced to search for \$2 million to supplement our requirement. There seemed to be no available funding within TT, at least within current funds. There was an alternative (one we did not want) and that was to build a temporary building. However, we feel that this would be very detrimental to our anticipated economic development, so we decided to explore the Commercial funding route. We, at this juncture, hired an Airport Management Consultant who specialized in financing. We then examined the potential revenue possibility of this new international Airport which would have, for the first time scheduled direct flights to foreign countries. We saw a possible revenue source in a duty free store, rental of prime airline, ticket office and freight space as well

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as other rentals, such as rent-a-car, foreign currency exchange, landing fees, fuel tax, and many others. To test the real value of these possible revenue sources, we scheduled several meetings on Saipan in November with the following results.

- (a) A meeting with interested Airline Representatives (Continental Air Lines, Pan American Air Lines, Trans-World Airlines, Japan Air Lines, Air Pacific) we were assured that the 31,000 square feet of rental space would be fully utilized at the premium price of \$5 to \$7 per square feet annually. Of the five (5) airlines represented four (4) wanted space in the terminal.
- (b) A later meeting which included seven (7) businessmen (Joeten, Villagomez, Saipan; Jones & Guerrero, Guam; Duty Free Limited, Hongkong; Bank of America; Bank of Hawaii and 1st City National Bank), interested in the Prima Concession (Restaurant, Bar, and Duty Free Store), were briefed on our planned Air Terminal Facilities and our shortage of funds with which to build this complex. We informed them that when we were prepared to put this prima concession out for bid, there would be a minimum advance prepaid concession fee of \$1 million before any bidder would be considered. We asked for a show of hands of those present that could meet this minimum requirement, four (4) of these, two of which were local businessmen raised their hands and all four (4) have since filed a letter with this administration verifying in writing this acknowledgement.

There are other businessmen that have shown interest even the President of Nauru has had a letter sent to us indicating his desire to invest \$2 million in our Airport. However, our problem is, we need a way to repay these loans or advances. The Concession contract will pay 10% of their gross sales but the first few years will be tough ones and during these years we will need all the revenue that the Airport can produce in order to keep the airport operating. Therefore, you can understand the need to have the entire revenues flow directed to an "Enterprise Fund" rather than to other sources.

I have attached several position papers to this letter, written by the Marianas District staff should you require further enlightenment.

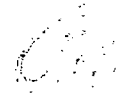
If at all possible we would like to have your comments on this matter prior to the closing of this current session of the Congress of Micro-

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asia which will be about the middle of March.

Sincerely,


Peter T. Coleman,
Deputy High Commissioner

cc: District Administrator, Marianas
cc: The Honorable Hayden Williams, Ambassador, U. S. Status Negotiations Committee
cc: Senator Edward DLG Pangelinan, Marianas Delegation to COM

Blind Copies to:

bcc: Director of Transportation and Communications, Hdqtrs
bcc: Programs and Budget Officer, TT Hdqtrs
bcc: Director of Resources & Development, TT Hdqtrs
bcc: Attorney-General
bcc: Director of Public Works, TT Hdqtrs (Attn: Mr. Charles Wright)
bcc: Mr. Leigh Fisher, Marianas Airport Consultant, San Francisco
bcc: District Programs & Budget Officer, Marianas
bcc: District Director of Public Works, Marianas
bcc: Deputy District Administrator, Marianas
bcc: Miss Mary Trent, TT Liaison for Status Negotiations Committee

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