



# **SOLOMON AIRLINES LTD**

## **STATEMENT OF CORPORATE OBJECTIVES 2020-2022**

**(STATE OWNED ENTERPRISES ACT OF 2007)**

**INCORPORATING**

## **COMPANY BUSINESS PLAN 2020-2022**

**(COMPANIES ACT OF 2009)**

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## 1 Executive Summary

For consistency the same format used before has been adopted the 2020/2021 Business Plan and Corporate Objectives.

In the 2018 Business Plan we stated, “The focus for 2018 is on continuing to stabilise the business, determining a compelling shared vision, understanding and shaping the Company values and ultimately building a solid foundation from which it can expand.”

The airline acquitted all findings from the e-IOSA audit conducted in November 2018 and remains registered with IATA and satisfies the requirements of all codeshare partners. The airline has operated safely without any significant incidents or injuries.

In terms of progress, the Airline is in much better shape than at the start of 2017, having finished the year with a SBD 9m profit together with cash and other equivalents of SBD \$ 30m in the bank. The profit for 2018 was SBD 31.3m with cash and equivalents of around \$25m at the end of 2019 the forecast profit is SBD 12m. Due to lower domestic passenger numbers on a number of underperforming routes and a large increase in the cost of repairs as well as hiring a Twin Otter for 12 months whilst the Company owned Twin Otters were repaired and refurbished will result breaking even in 2019.

The expected growth in income and profit for 2020 will come from:

- The Brisbane - Munda flights which have started showing some growth in the latter part of 2019 –
  - largely driven by the appointment of a Leisure Sales executive in Brisbane
  - A TV advertising campaign with Tourism Solomons
  - Working with resorts to produce weeklong holiday packages coupled to the Brisbane – Munda flights
  - New office in Brisbane staffed by experienced reservation staff
- A significant amount of wastage and fraud that continues to be identified and removed from the operation
- The newer A320 which is due to be delivered in mid-February 2020 which will:
  - Require very little maintenance in 2020 as it will be delivered fresh from a major check with freshly overhauled engines and an APU, and
  - Is 15% more fuel efficient than the one it is replacing which makes up for the higher monthly rental and allows additional cargo to be carried.
- The new relifed Twin Otter X2HG will be more reliable and carry bigger loads over longer distances thus improving efficiency
- Improved yield management on some sectors

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The competition between Brisbane and Honiara will increase with Pionair forecast to commence flying the route twice a week and is likely to offer fares below what Solomon Airlines and Virgin charge. This situation has come about because of the former Government's desire to give a way 5<sup>th</sup> freedom rights to other carriers without obtaining reciprocity for Solomon Airlines. In 2019, Nauru Airlines withdrew from the route due to a very low uptake by passengers.

The growth in tourism in the Western Province has been spurred on by the direct Brisbane to Munda flights as well as the Solomon Islands Tourist Infrastructure Development Fund which has been set up originally by Solomon Airlines to assist local resorts to improve their accommodation standards.

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## 1.1 PEOPLE

As has been stated in prior years, Solomon Airlines is in the service industry which requires significant teamwork to bring about safe reliable and efficient travel. Our staff, customers, suppliers and shareholders are the most important aspect of the business.

### 1.1.1 STAFF

Airlines are made up of a multitude of agreements, manuals, procedures, contracts and some assets. Without our people to put this into action there is no business. In order to do their jobs, staff will:

- know what is required of them,
- have the required skills and experience,
- have the required tools, equipment and facilities,
- receive regular feedback on their performance,
- be appropriately remunerated,
- have someone who encourages their development
- feel that their opinions are considered
- be committed to doing quality work
- have opportunities for growth and development
- have a supervisor or manager who cares about them as a person

### 1.1.2 MANAGEMENT TRAINING

In many organisations functional experts are promoted to management positions without being provided with the requisite management training. Solomon Airlines is no different and many of the staff issues are directly related to their managers not knowing how to manage their staff.

Basic management training which should have been provided in 2019 and was not due to a multitude of factors, will be provided to all managers during 2020 and will be developed as an ongoing requirement.

### 1.1.3 GENERAL FUNCTIONAL TRAINING

Because the future of Solomon Airlines is inextricably linked to the competence of the staff, training and evaluation is essential. A significant amount of training at a high cost has been carried out over 2019 and will continue. See table 3.2.2

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#### 1.1.4 HIRING STAFF

The core interview panel set up in 2018 which works with the functional experts to select new employees continues to have a positive effect on the calibre of people hired. The emphasis on attitude before aptitude ensures that the selected people all have a positive attitude and those who understand the importance of customer service. One of the most exciting effects of the selection process is that several younger people have been hired and they are unlike some of their older colleagues enthusiastic and are embracing change.

##### 1.1.4.1 *Equal Opportunity Employer*

Despite mounting an active campaign to employ disabled people, the success to date has been limited due to influences beyond the control the Airline. In the coming year, more effort will be put into this initiative. The important thing is that one person with a disability has been employed and has integrated fully into the workforce and her life has been changed for the better.

Solomon Airlines is a signatory to the IFC sponsored Wake Mere initiative which aims to ensure that women play a greater role in the development of the Company. The Airline will continue to uphold its commitment to this cause and recently received accolades for the way in which the survey results from the staff have increased significantly.

#### 1.1.5 CUSTOMER FOCUSED CULTURE

The commitment in 2018 to change the culture of the staff from being self-centred to becoming customer centric will continue for at least the next 5 years. The new recruitment policy together with the planned Customer Care Team now in place continues to show signs of success. The objective of changing the culture will continue for the next 5 years. The focus will, as for the last few years, is listed below:

1. Changing selected behaviours specifically aimed at improving customer service which will ultimately lead to a change in mind set.
2. Establishing new habits such as ensuring accountability.
3. Encouraging frontline staff to make decisions.
4. Having our senior leaders working as role models through 'walking the talk'.
5. Holding each other accountable for 'walking the talk'.
6. Cascading the role model example to the top 10% influencers within the group who will in turn model the appropriate behaviour to other levels in the Airline.
7. Demonstrating the impact of good customer care through a customer survey and an increase in revenue.
8. Acknowledging and rewarding appropriate behaviour.
9. Spreading and sharing information across the organisation.

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10. Nurturing the emerging culture shift with regular meetings, feedback and praise.

#### *1.1.5.1 Customer Care Project*

In 2018, a volunteer Customer Care project was established with team members from all over the business volunteering their time to improve other areas around the business. The initial focus was on the Honiara International Airport and our frontline customer teams in Honiara.

A clean, neat and tidy work environment is essential for improving productivity and for projecting a professional customer friendly image. Whilst a significant amount of work has been done to clean up the headquarters, hangar and the Domestic Airport facilities, unfortunately people need constant reminding that rubbish etc. must be picked up and disposed of. The lawns must be mowed regularly, and the staff should simply do the job without being reminded to do so. The focus on continuing to change the culture and the physical working environment will continue through 2020. A clean-up of boxes, paperwork, rubbish and implementing a clean-desk policy will continue. A sloppy environment makes it difficult to put out quality work. Some workspaces have been rearranged to make the environment more conducive to quality work. The cargo area has improved significantly as the staff have taken the guidance on board and the environment is more conducive to doing quality work.

The new customer care centre for the head office building which was designed to replace the sliding window through which people purchase tickets has been supposed to be built in 2019. Unfortunately, the significant repairs on the owned Twin Otters soaked up the cash earmarked for the job and it was not done. The job will be done in 2020. This will provide a professional and friendly space for our customers to buy tickets and discuss their travel requirements with our team.

The sales office which was in Hibiscus Avenue and was relocated to Mendana Avenue as the new look Solomon Airlines Travel Centre provides a more professional and customer-friendly experience than in the past and has significantly improved sales with lots of positive feedback from customers.

The second floor of the Point Cruz building is a perfect space to set up a centralised Customer Care centre to deal with phone calls, emails and Belama Club processing 7 days per week. Plans to set this centre up will be developed in early 2019 as extensive work is needed to turn this into a functional workspace. Once again the lack of funds resulted in this project being out on hold.

#### *1.1.5.2 Customer Service Training*

In 2019, work commenced on designing a formal customer service training program for all Solomon Airlines team members to attend. The aim of the program includes providing some context around why customers are so important to the airline, why the future depends on customers and what each team member can do to make things better. It is anticipated this training will be in the form of a series of four-hour workshops and will be run in 2020.



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Team members from the airport, reservations and other frontline areas will also receive additional training specific to their area of work. For example, team members at the airport will receive customer service training about check-in and dealing with difficult customers face-to-face. Reservations team members will participate in training for answering phone calls and will be provided with scripts that they can use when dealing with difficult customers over the phone. This training will be conducted through a series of 4-hour sessions for these team members.

Ongoing refresher training will be conducted in 2021 so that excellent customer service remains at the forefront of team member interactions with our customers.

Costs:

- 8 hours per team member for general customer service training
- hours per frontline customer team members (reservations, airport, sales)

#### 1.1.6 GRADUATE TRAINING PROGRAM

This program enables the Company to recruit and train graduates through a 15-month program where the graduates work on rotation in the various business units of the Organisation to gain a better understanding of the Company and how all the various business units work together to deliver Organisation goals and objectives. This program has proved to be successful and will be expanded and most probably extended to 24 months.

Interviews will be conducted in January 2020 for the recruitment of graduates to be selected from Finance, Engineering, Management and IT disciplines. This

#### 1.1.7 COMMUNICATION

Internal and external communication have been improved significantly with the appointment of THE PR Team in Australia. The aim is to provide all staff members with access to email by the end of 2020. This improvement in communication must be balanced against the desire for “internal sources who wish to remain anonymous for fear of losing their jobs” to send Company communications to the press. Group meetings have been held with all departments through the year and will continue in the future.

#### 1.1.8 REMUNERATION

The high cost of accommodation in Honiara was dealt with at a cost of \$3.5m. The Company will continue looking for innovative ways to improve the entire remuneration package and working conditions offered to the staff.

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### 1.1.9 UNIFORMS

It has long been recognised that the contact staff need to have uniforms which look professional and at the same time are authentic to the Solomon Islands. The airline engaged The Association of Solomon Islands in Creative Fashion to provide ideas however the response was slow and the final designs were not acceptable. A new designed and supplier is being sought and new uniforms will be issued in 2020.

The Association has yet to finalise their uniform creations and present them to the EXCO for approval. It is expected that once the final concept is agreed to new uniforms will be available to staff by end of Quarter 1 – 2019 at an estimated cost of SB \$40,000.

### 1.1.10 ON SITE NURSE / CLINIC

An assessment planned for 2019 will be made during Qtr. 2 2020 on the feasibility of providing a medical clinic facility at the Henderson Head Office. The investment is being considered to reduce the amount of time taken off work by staff due to illness. This initiative will be largely dependent of cost and available space.

### 1.1.11 FORMAL STAFF APPRAISAL SYSTEM

The staff appraisal system is an essential element of achieving this business plan. KPIs will be agreed to between the respective individual staff member and management in January 2019 for immediate implementation. Staff will be evaluated informally and coached throughout the year by their direct managers. A formal annual appraisal against the agreed criteria will be carried out in November and December 2019. The appraisal system will be evaluated, and the lessons learned will be incorporated into an ever-evolving staff development plan. This process will be improved through the interface through the Greentree HR Software during 2019.

### 1.1.12 HR SYSTEMS

The MYOB Greentree System contains some sixteen HR applications which are progressively being introduced to improve efficiency in the HR department. One of these initiatives includes striving for a paperless work environment. In 2019 the following HR Modules were to have been incorporated however the tight financial situation prevented this from occurring. They will be purchased and incorporated in 2020:

- Online Employee Development- including annual / semi-annual appraisals, succession planning etc.
- Online leave planning and application for leave
- Recording of all forms of contracts (IE. Suppliers, consultants & staff) as back up to the Contracts Register

Each HR Modules costs approximately AUD \$3,000 plus an annual maintenance fee of AUD \$500. Training costs for the HR staff are additional. The return on investment will be significant as we improve our staff development and better manage all aspects of leave.

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### 1.1.13 WORKERS UNION OF SOLOMON ISLANDS (WUSI)

The collective agreement prepared by WUSI in early 2018, was considered flawed in many respects by the Company legal representative. The Airline had offered to work with WUSI to redraft the agreement however WUSI did not take up the offer but rather referred the matter to their lawyer and to date, there has been no formal response from the WUSI lawyer on this subject.

The Company increased the housing allowance in 2019 and will plan for a COLA increase of 3% in 2020. It appears that the staff are generally happy and the need to rely on WUSI for improvements in pay and other conditions is not warranted.

### 1.1.14 SOLOMON NATIONAL AIRCRAFT MAINTENANCE ENGINEERS ASSOCIATION- SNAMEA

The association was incorporated in March 2018, replacing the previous Pilots and Engineers association defunct for many years. The association met with management in early July 2018. The initial focus has been centred on creating a career path which is necessary to encourage apprentices and Aircraft Maintenance Engineers (AMEs) to become Licenced Aircraft Engineers. (LAMEs). It is essential that the Aircraft Maintenance Engineers become better qualified and to this end, they are being encouraged to study for their Aircraft Maintenance Engineers Licences. Some progress has been made and more emphasis will be placed on being qualified for the job.

During 2019, the housing allowance was increased, a structured career path was agreed, uniforms and protective gear were issues.

### 1.1.15 NATIONAL PILOTS ASSOCIATION OF SOLOMON ISLANDS (NPASI)

Formed in early 2018, the National Pilots Association executive initially refused to meet with management and tried to negotiate through unsigned letters and the press. After some significant effort on the part of the management the impasse was broken, and the Union has since met with management on numerous occasions.

Their concerns have been discussed and addressed. The regular pilots meeting includes the attendance of managers from other disciplines in the Company. The focus in 2020 will be to ensure that the remaining 2 pilots who only hold Commercial Pilot's Licenses are given every opportunity to study for their Air Transport Pilots License subjects.

## 1.2 CUSTOMERS

The journey to change an organisation so that employees see the world through a customer's eyes typically takes between 2 and 4 years. This initiative will require patience and a strong management focus to build on what has been achieved in 2018 and 2019. The results are worth the effort. According to McKinsey the results are growing customer loyalty, happier employees, reducing costs by 15 to 20% and an increase in revenue of 5 to 10%.

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We will take care of our customers by:

1. Knowing who our customers are.
2. Identifying their needs.
3. Providing solutions to their needs.
4. Redesigning processes as required to optimise the customer journey.
5. Being courteous.
6. Responding rapidly to queries.
7. Being reliable and following up and asking what else we can do.

### **1.3 SUPPLIERS**

The importance of nurturing our supply chain was clearly evidenced throughout the 2018 when the A320 had a C Check and some engine work done. The worldwide shortage of engine parts resulted in the engine taking 5 months to repair. Without a good relationship with the maintenance facilities involved, this could have been longer. A good relationship with both Nauru Airlines and Alliance Airlines ensured that no flights were cancelled during the 5-month period that the A320 was away.

The Airline had some significant issues with cashflow during the year as a result of the smaller number of domestic passengers flown and very costly repairs which were unbudgeted. The excellent relationship with suppliers has ensured that Solomon Airlines was not a simple faceless organisation that was slow to pay its bills. All suppliers have worked with the Airline to manage payments. Relationships with all the banks continues to be good as all obligations have been met.

Suppliers and vendors include the various Government authorities such as the airport and civil aviation authorities we will continue working with everyone to ensure that we are compliant and proactive in staying on top of the legislation and our obligations. Through our people becoming customer focused we believe that our suppliers will really want to and enjoy doing business with us.

### **1.4 SHAREHOLDERS**

Our shareholders are entitled to a positive return on investment and after 4 years of losses, the Airline delivered a small profit of SBD\$ 9m in 2017. The 2018 financial year ended on a positive note with a SBD 31.3m profit as well. We will continue working with our shareholder to ensure that the airline is properly capitalised, efficiently run, ultimately returning a positive return on equity and playing a leading role in growing the Solomon Islands economy.

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The 2018 Annual Financial Statements were delayed by the elections, converting a tax liability to equity and the PwC's workload and secondly, the Auditor General had other more urgent issues to deal with when the Solomon Airlines Audited Statements were handed in.

Solomon Airlines will continue to make every effort to ensure that all reporting is done in accordance with the timelines as required by the Companies Act as well as the SOE Act.

## **1.5 GENERAL PUBLIC**

Solomon Airlines pays a significant role in supporting charities.

### **1.5.1 SOCIAL OBLIGATIONS**

The Airline is acutely aware of the needs of the community and contributes a significant amount of money, resources and tickets to the community at large. The donated tickets and cargo space assist with raising funds, providing the free transport of consultants, doctors, patients, medicine and medical equipment. The demand for assistance far outstrips the Airline's ability to help. The Airline assisted in transporting numerous pieces of donated medical equipment to the National Reference Hospital for free and will continue with these efforts in 2020.

### **1.5.2 REMOTE COMMUNITIES**

The Airline serves numerous routes which are not profitable and are either cross subsidised by profitable routes or through a limited Community Service Obligation payment from the Government. An application for the Government funded Community Service will be submitted in time for SIG budget planning. The CSO is necessary to avoid having to increase fares on the profitable routes in order to subsidise the unprofitable sectors.

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## 2 Processes and Functions

Despite several changes, many Company processes continue to be flawed for reasons such as:

1. Old outdated practices especially with sophisticated systems such as Amadeus where all the features paid for are not used.
2. Poorly described processes.
3. Lack of training.
4. People still not taking the time to read the applicable manuals.
5. Poor IT services and other infrastructure.
6. A clash between new requirements and the old way of doing things.
7. Over reliance on the use of cheques and specifically cash cheques

In 2020, Solomon Airlines management will continue to focus on business improvement through clearly defining the desired outcomes i.e. the end result, understanding the current situation, performing a gap analysis, formulating a plan and then implementing the solution with SMART goals. i.e. Specific, Measurable, Achievable, Realistic with a Timeline. People have been and will continue to be held accountable for their areas of the business.

### 2.1 EFFECT OF POOR PROCESSES

Solomon Airlines is an international airline and is judged against all other carriers and international standards by passengers, insurance companies, suppliers and regulators. The Airline's poor processes create a poor perception of the airline.

The effect of the many current inefficient practices is firstly that the inefficiency affects the rest of the airline. Examples of inefficient practices include creditors not being paid on time, slow debt collection, agents and employees at the outer ports not paying money into the bank account, customers using their tickets more than once. Secondly the poor processes continue to hamper decision making due to the data and information either not being available or not being available on time.

A significant change is that the revenue for the prior month is now available two weeks into the new month. This is a major improvement on the past where it took between 2 and 3 months to produce the numbers.

These processes will take several years to change and keep the changes in place.

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## 2.2 CORPORATE ADMINISTRATION

### 2.2.1 REPORTS

The State-Owned Enterprise Act of 2007 and Regulations of 2010 requires the Airline to provide to Honourable Minister of Finance and Treasury the following reports/plans throughout the year.

Statement of Corporate Objectives- due no later than 30th November of the year.

Annual Report- submitted to Minister of Finance & Treasury on completion of audit and signing off by the Auditor General.

- Half- Yearly Report- within two months after end of first half of Financial year
- The Airline will continue to comply with these requirements.

### 2.2.2 MEETINGS

- Board meetings will continue to be conducted on or around the last Wednesday of each month
- Executive committee Meetings (EXCO) have been planned for the day prior to monthly meetings and
- Management Safety Group meetings are held on the day following monthly Board meetings.

### 2.2.3 CONTRACTS REGISTER

Following the external auditor's 2017 Management letter recommendations, a Contracts Register to record details of contracts for suppliers, consultants and staff has been setup continues to be maintained by the Corporate Team.

### 2.2.4 MOTOR VEHICLE MANAGEMENT

The following policies were drafted by the Corporate Team and implemented in 2019. They will continue to be managed in 2020.

- Company motor vehicle replacement policy
- Company motor vehicle maintenance policy
- Revised policy on the use of Company motor vehicle

### 2.2.5 PROPERTY MANAGEMENT AND BUILDING MAINTENANCE

An in-house legal officer was appointed in September 2018, to oversee Insurance and legal affairs. This position will now be extended to include the management of property leases. A substantial amount of building maintenance has been carried out over the past 2 years however many buildings require

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urgent maintenance or if not done in the coming months will require replacement. The amount of work done in 2020 will depend upon the available cash flow. The Airline still has difficulty renewing leases and will pursue the outstanding leases in 2020.

## 2.2.6 COMPANY OWNED PREMISES

### Tandai Properties

When finances permit the plan is to develop the Airline's compound and former Managers residence at Tandai into an apartment block suitable for staff. A potential investor has been contacted and will be followed up in 2020.

### Other Properties

Numerous properties owned and leased by the Airline require significant maintenance and, in some instances, upgrading. This work will be done as and when it is essential, and the required funds are available.

## 2.2.7 PROJECT SPACE (OFFICE AND WORKSPACE MANAGEMENT)

The Airline is short of office / working space and much success has been achieved by a Project Team in the development of offices in the current HQ however more space must be found, and the plans include:

- The possible relocation of certain Commercial Department staff members to the Airlines point Cruz premises to free up office space in the head office.
- Cabin services management and training were relocated to the spare office at the Engineering Hanger. This is not an ideal place for them.
- Considering how the catering building can be used as it is currently underutilised, however it seems that Solomon Airlines will lose this building in 2020 when the airport improvements are done.
- Converting one of the two kitchens at Henderson head office into an office when funds allow.
- Considering options for better use of the head office top floor balcony area.

## 2.3 FLEET PLANNING AND MANAGEMENT

### 2.3.1 DOMESTIC OPERATIONS

#### 2.3.1.1 *DeHavilland DHC-6 Twin Otters*

The 3 domestic Twin Otter Aircraft are on average 42 years old. The aircraft are thus far more prone to costly maintenance particularly when coupled with the poorly maintained rough airstrips in use in our domestic operation. This situation has been clearly demonstrated this last year where over US\$700,000 have been spent on repairs.



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Two of the owned aircraft have been refurbished and look significantly better however they are not a long-term solution as they have between 4 and 6 year's life remaining and have limited navigation equipment fitted to them. A further complication is that the average passenger load in the standard Twin Otter must be capped at around 12, due to the passenger weight, the baggage (International allowance is 30 kg and particularly in the case of diving equipment) and having to carry return fuel.

Replacement options include a new Twin Otter - 400 made by the Viking Aircraft Corporation which will cost over US\$7.5m, purchasing a used aircraft for between US\$3.0 and US\$4.0, or refurbishing the current aircraft which are approaching the end of their design life. In each case the aircraft will still be limited to carrying an average 12 passengers.

After an exhaustive search Ikhana Aircraft Services have a Supplementary Type Certificate which rebuilds old Twin Otters and makes them new with zero flight hours. This refurbishment option if followed will see our existing Fleet progressively fully refurbished and brought back to zero hours. This work can be carried out for an average cost of US \$5.8m per aircraft. The Ikhana option increases the gross take-off weight by an additional 680 kgs (1,500 lbs.) thus allowing for an additional 5 to 6 passengers plus baggage or a combination of extra passengers and extra fuel to be carried over current routes.

Solomon Airlines committed to purchasing the upgraded relifed Twin Otter when Montrose Leasing company reneged on their agreement to buy the aircraft from Ikhana Aircraft Services and lease it to the airline. Whilst finance can be obtained through several finance or aircraft leasing companies, the banks all want zero risk and want to contract with EXIM Bank to guarantee 85% of the aircraft value. Solomon Airlines has paid 15% as a deposit. The situation is somewhat ludicrous as the only security Carlyle Leasing has for the new A320 arriving in February is 3 months' rent in advance. In the meanwhile, a short-term lease for a Twin Otter which was acquired for the peak season has been extended extended through to the end of January 2020 allowing for the new Twin Otter to be delivered.

#### *2.3.1.2 DeHavilland DASH 8 AIRCRAFT*

The aircraft was acquired from Olympic Airlines and commenced service with the Airline in late 2012. It is always difficult to maintain a reliable service with one aircraft as there is no backup available. The reliability of the Dash 8 H4-SOL has declined over the past two years due to several factors including, maintenance problems, the difficulty of obtaining and the cost of holding many expensive parts and finding available time for maintenance. In respect of the maintenance issues, a consultant was retained to provide training for the engineers and new software to manage the parts was installed in late 2017.

Given the current reliability issues and the limited recovery options in the case of a breakdown alternative aircraft or an additional Dash 8 must be considered. The Dash 8 is a very versatile aircraft and can, now that some maintenance has been completed on a few airports, fly into Auki, Munda, Gizo, Manaoba, and sometimes Kirakira and Santa Cruz depending on weather and the condition of Airstrips. Lomlom was also open to Dash 8 services in December 2018.

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Alternative aircraft such as the ATR 42 aircraft are still in production and are more reliable although not as versatile as they generally require longer runways to carry a full load.

The length of Domestic airstrips is a consideration when determining viable replacement options. An analysis has been carried out with recommendations presented to the Board during the year with no decisions made due to competing activities and limited funding. This will be revisited in 2020 when a more in-depth route analysis including Buka, Nauru and Port Villa are considered.

## 2.3.2 INTERNATIONAL OPERATIONS

### 2.3.2.1 AIRBUS A320

The Finance Lease of the Airbus A320- H4 Bus ended in September 2019 and the aircraft belongs to Solomon Airlines although will be sold prior to December 2019. An extensive search has been conducted to find an alternative aircraft to replace the aging Airbus with a later model. An A320 MSN 2445 has been leased with effect 1 February 2020 and once painted and fitted with new seats should be in operation by mid-February 20-20.

### 2.3.3 FUTURE ROUTES

An extensive study has been made of the new A320 and A321 NEO (New Engine Option). The A321 with additional Centre Tanks can fly from Honiara to Narita in Japan with 170 passengers.

The B737-800 MAX with the new CFM56 LEAP Engine can also fly from Honiara to Narita with 168 passengers and does not require any additional fuel tanks.

The operating costs of both aircraft are similar, and it seems feasible to operate either type between Honiara and Narita with around 170 passengers.

Based on the fact that either of these new generation aircraft can fly between Honiara (later Munda when it is lengthened) and Narita, it would be stupid to enter into a long term lease on an old aircraft to replace the current A320 until we know how much we will be able to grow the number of suitable resort rooms in the Solomon Islands. The work on future routes has been put on hold at present because of the shortage of accommodation for tourists. Work will continue as and when time is available. It is likely that a smaller aircraft will be considered to service the smaller destinations such as Port Villa, Nauru and Buka.

## 2.4 FUTURE GROWTH OPPORTUNITIES

Growth in tourism will be limited until a significant investment is made in accommodation suitable for tourism. Whilst Solomon Airlines is pursuing several avenues to attract investors, progress is slow. If the Government is serious about weaning the economy off logging it is essential that it finds a way to invest

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in a resort. As was demonstrated in Fiji, once the first resort had been signed up, IFC was happy to invest and two other hotel groups saw fit to develop hotels in Denarau. There is a better than even chance that once there is commitment to the first resort of a reasonable size that other parties will have the confidence to invest in similar ventures. A feasibility study will be conducted to establish the cost of building a 3 to 4-star holiday resort and considerable effort will be made to find investors in 2020.

South East Queensland is seen as the best opportunity to grow tourism because 2.3 m people reside in this part of the world and they are relatively close to the Brisbane Airport. If 0.1% of the population could be encouraged to visit the Solomon Islands, this would effectively amount to a near doubling of the current passengers carried by Solomon Airlines between Brisbane and Honiara. If an additional 23,000 passengers a year are going to fly to the Solomon Islands, this will amount to an average of 442 passengers per week. The new A320 in 2020 will 144 seats per flight (8 more than current offered) and at 5 flights a week, there will be 720 seats available. The current average load factor is around 55% which is approximately break even for the A320. An additional flight would be added to the current 5 flights a week. The only problem is that of suitable accommodation because at best this additional 23,000 people would require around 220 rooms. If the current inventory is considered at least 120 rooms must be added over the coming year. Whilst this is possible, it is highly unlikely that it will be achieved due to the general apathy.

Setting the extra 23,000 passengers aside, it should be possible to grow the market by around 10% which equates to an additional 44 passengers per week which will increase the load factor to around 61% and soak up the existing inventory of rooms. No additional seats are required, just additional rooms.

Solomon Airlines has identified and will be employing a Marketing Manager from Mid December 2019. Strongim Bisnes is keen to partner with Solomon Airlines to improve the digital marketing and will be working with the new Marketing Manager. The New Zealand Government continues to work with Solomon Airlines and every indication is that they will continue to do so in 2020.

Other opportunities include Honiara – Buka, Honiara - Nauru and Honiara – Santo or Port Vila using ATR 42 aircraft

The CEO is often asked for a Strategy for the Airline however until the Country has a Strategy for Tourism **which is being implemented**, the Airline Strategy is limited to very slow incremental growth.

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### **3 CORPORATE - HUMAN RESOURCES & ADMINISTRATION**

#### **3.1 COR- 01: COMPANY STAFF POLICY AND PROCEDURES MANUAL**

The updating of the Staff Policy and Procedures Manual is necessary not only to keep the manual up to date but stay abreast with current “best practices in HR in the airline industry” and the market practices of Solomon Islands. This manual enables the consistent application of policies and procedures as well as the quick reference and timely action on HR matters especially in respect of discipline and the staff entitlements such as leave, etc.

This manual will always be considered as work in progress.

The “Green Tree” HR software package which provides easy online annual leave and sick leave applications, appraisals and travel applications was planned to be implemented in 2019 but was delayed due to cashflow constraints. The implementation of this software is planned for Quarter 1-2020. Staff training will be provided by Danielle Saunders who is based in Brisbane.

#### **3.2 COR-02: TRAINING**

##### **3.2.1 COR-02.1: MANAGEMENT TRAINING**

Proper Management training teaches skills needed to keep employees motivated, productive and committed to the Airline. A manager who knows how to properly communicate, direct and assign tasks helps his or her staff to be more productive without overbearing micromanagement.

Most Middle and Senior Managers in Solomon Airlines do not possess the necessary skills in this regard and require management training to raise the level of efficiencies within their respective departments as well as their own personal development.

This plan provides for managers at all levels to undertake specific management training during the first Quarter of 2020. It was intended to conduct this training in 2019 however, the enormous amount of work and the tight cashflow meant the training could not be conducted effectively.

### 3.2.2 FUNCTIONAL TRAINING

#### BUSINESS PLAN 2020 – 2022 - PER DEPARTMENT TRAINING

MANAGEMENT										
Training Course	Location	Department	Participant	Costs (F/Currency)	Cost SBD\$	DTA F/Currency	DTA SBD\$	Accom F/Currency	Accom SBD\$	Total cost SBD
Internal auditor	Australia	CSSA	1	AUD2595.00	\$13199.9	AUD\$120.00	\$607.90	AUD\$190.00	\$962.51	<b>\$14,770.31</b>
Design Thinking, AI and Talent Analytics	Singapore	All dept. heads	1	SDG2500.00	\$14925.37	SDG120.00	\$724.64	SDG\$145.00	\$845.62	<b>\$16,495.63</b>
Maintenance Controller and IA Course – priority	POM, PNG	Engineering	1	PGK8000	\$13429.58	PGK120.00	\$201.78	PGK115.00	\$193.05	<b>\$13,824.41</b>
Airline management	Singapore	All dept. heads	1	SDG3100.00	\$18507.46	SDG120.00	\$724.64	SDG145.00	\$865.67	<b>\$20,097.77</b>
Aviation security instructor	Singapore	CSSA	1	SDG3100.00	\$18507.46	SDG120.00	\$724.64	SDG145.00	\$865.67	<b>\$20,097.77</b>
<b>TOTAL</b>			<b>5</b>		<b>\$78,569.77</b>		<b>\$2,983.60</b>		<b>\$3,732.52</b>	<b>\$85,285.89</b>

IATA & ASPA COURSES										
Training Course	Location	Department	Participant	Costs (F/Currency)	Cost SBD\$	DTA F/Currency	DTA SBD\$	Accom F/Currency	Accom SBD\$	Total cost SBD
Network, Fleet and Schedule Planning	NAN, Fiji	Dom Flt, HR & OCC	1	FJD\$200.00	\$619.39	FJD\$100.00	\$309.69	FJD\$200.00	\$619.39	\$1,548.47
Airline Business Models and Competitive Strategies	NAN, Fiji	OCC, Comm & HR	1	FJD\$200.00	\$619.39	FJD\$100.00	\$309.69	FJD\$200.00	\$619.39	\$1,548.47
Airline Leading Practices & Cost Reduction Strategies	NAN, Fiji	Finance, Comm & HR	1	FJD\$200.00	\$619.39	FJD\$100.00	\$309.69	FJD\$200.00	\$619.39	\$1,548.47
Dynamic Pricing and Revenue Management	NAN, Fiji	Finance, HR & Comm	1	FJD\$200.00	\$619.39	FJD\$100.00	\$309.69	FJD\$200.00	\$619.39	\$1,548.47
Route Forecasting and Development Strategies	NAN, Fiji	OCC, Finance & Comm	1	FJD\$200.00	\$619.39	FJD\$100.00	\$309.69	FJD\$200.00	\$619.39	\$1,548.47
Human Factors in Aviation	NAN, Fiji	Dom Flt & HR Admin	1	FJD\$200.00	\$619.39	FJD\$100.00	\$309.69	FJD\$200.00	\$619.39	\$1,548.47
Aviation Internal Auditor	NAN, Fiji	CSSA	1	FJD\$200.00	\$619.39	FJD\$100.00	\$309.69	FJD\$200.00	\$619.39	\$1,548.47
CRM Implementation	NAN, Fiji	CSSA, Com, Cabin & OCC	1	FJD\$200.00	\$619.39	FJD\$100.00	\$309.69	FJD\$200.00	\$619.39	\$1,548.47
<b>TOTAL</b>			<b>8</b>		<b>\$4,955.12</b>		<b>\$2,477.52</b>		<b>\$4,955.12</b>	<b>\$12,387.76</b>

IATA ONLINE COURSES										
Training Course	Location	Department	Participant	Costs (F/Currency)	Cost SBD\$	DTA F/Currency	DTA SBD\$	Accom F/Currency	Accom SBD\$	Total cost SBD
Advanced Skills in Journey Pricing and Ticketing	Online	Commercial & Finance	1	USD\$200.00	\$1,459.85	\$0.00	\$0.00	\$0.00	\$0.00	\$1,459.85
Fundamental Skills in Journey Pricing and Ticketing	Online	Commercial & Finance	1	USD\$400.00	\$2,919.71	\$0.00	\$0.00	\$0.00	\$0.00	\$2,919.71
Global Distribution Systems Fares and Ticketing - AMADEUS	Online	Commercial & Finance	1	USD\$350.00	\$2,554.74	\$0.00	\$0.00	\$0.00	\$0.00	\$2,554.74
Aviation Competition Law - E-Learning - English	Online	HR Admin & Commercial	1	USD\$130.00	\$948.91	\$0.00	\$0.00	\$0.00	\$0.00	\$948.91
Human Trafficking Awareness - E-Learning - English	Online	HR Admin & Commercial, Finance	1	USD\$89.00	\$649.64	\$0.00	\$0.00	\$0.00	\$0.00	\$649.64
<b>TOTAL</b>			<b>5</b>		<b>\$8,532.85</b>					<b>\$8,532.85</b>

GENERAL STAFF TRAINING										
Training Course	Location	Department	Participant	Costs (F/Currency)	Cost SBD\$	DTA F/Currency	DTA SBD\$	Accom F/Currency	Accom SBD\$	Total cost SBD
Effective Communication	S.I.N.U Ranadi Campus	All dept. employees	1	0.00	\$800.00	0.00	\$0.00	0.00	\$0.00	<b>\$800.00</b>
Project management	S.I.N.U Ranadi Campus	All dept. employees	1	0.00	\$1,800.00	0.00	\$0.00	0.00	\$0.00	<b>\$1,800.00</b>
Leadership Skills for Supervisors	USP Lawson Tama	All dept. Supervisors	1	0.00	\$1,250.00	0.00	\$0.00	0.00	\$0.00	<b>\$1,250.00</b>
Risk Management	USP Lawson Tama	All dept. Supervisors	1	0.00	\$1,250.00	0.00	\$0.00	0.00	\$0.00	<b>\$1,250.00</b>
Business English for Workplace Communication	USP Lawson Tama	All dept. general employees	1	0.00	\$1,250.00	0.00	\$0.00	0.00	\$0.00	<b>\$1,250.00</b>
Business Writing that Works	USP Lawson Tama	All dept. general employees	1	0.00	\$1,850.00	0.00	\$0.00	0.00	\$0.00	<b>\$1,850.00</b>
Leadership Skills for Supervisors	USP Lawson Tama	All dept. general employees	1	0.00	\$1,250.00	0.00	\$0.00	0.00	\$0.00	<b>\$1,250.00</b>
Human Resources: HR for the Non-HR Manager	USP Lawson Tama	All dept. general employees	1	0.00	\$1,850.00	0.00	\$0.00	0.00	\$0.00	<b>\$1,850.00</b>
Accounting and Finance	S.I.N.U Ranadi Campus	Finance employees	1	0.00	\$1,800.00	0.00	\$0.00	0.00	\$0.00	<b>\$1,800.00</b>
Management Course Training	S.I.N.U Ranadi Campus	All dept. Supervisors	1	0.00	\$1,800.00	0.00	\$0.00	0.00	\$0.00	<b>\$1,800.00</b>
Organisation culture	Henderson, Honiara	All dept. general employees	1	0.00	\$640.00	0.00	\$0.00	0.00	\$0.00	<b>\$640.00</b>
Responsibility	Henderson, Honiara	All dept. general employees	1	0.00	\$640.00	0.00	\$0.00	0.00	\$0.00	<b>\$640.00</b>
Commitment	Henderson, Honiara	All dept. general employees	1	0.00	\$640.00	0.00	\$0.00	0.00	\$0.00	<b>\$640.00</b>
Time management	Henderson, Honiara	All dept. general employees	1	0.00	\$640.00	0.00	\$0.00	0.00	\$0.00	<b>\$640.00</b>



Building Effective Team	S.B.E.C	All dept. Supervisors	1	0.00	\$300.00	0.00	\$0.00	0.00	\$0.00	<b>\$300.00</b>
Sales & Marketing	S.B.E.C	Commercial & Marketing	1	0.00	\$350.00	0.00	\$0.00	0.00	\$0.00	<b>\$350.00</b>
Financial Management	S.B.E.C	Finance employees	1	0.00	\$350.00	0.00	\$0.00	0.00	\$0.00	<b>\$350.00</b>
Customer Service	S.B.E.C	All dept. employees	1	0.00	\$350.00	0.00	\$0.00	0.00	\$0.00	<b>\$350.00</b>
<b>Total</b>			<b>18</b>		<b>\$18,810.00</b>		<b>\$0.00</b>		<b>\$0.00</b>	<b>\$18,810.00</b>

COOPERATE SAFETY, SECURITY AND AUDIT – CSSA										
Training Course	Location	Department	Participant	Costs (F/Currency)	Cost SBD\$	DTA F/Currency	DTA SBD\$	Accom F/Currency	Accom SBD\$	Total cost SBD
Dangerous goods and awareness	Henderson, Honiara	CSSA, Cargo, Dom Pilots	1	\$0.00	\$12,664.64	\$0.00	\$400.00	SBD\$0.00	\$880.00	<b>\$13,944.64</b>
Safety Management System - SMS	Australia	CSSA	1	AUD\$4495.00	\$22,771.02	AUD\$120.00	\$607.90	AUD\$190.01	\$962.51	<b>\$24,341.43</b>
IATA professional skill	Singapore	CSSA, Cargo, Int'l Traffic	1	SDG1400.00	\$8,358.21	SDG120.00	\$716.42	SDG250.00	\$865.67	<b>\$9,940.30</b>
Investigation	Australia	CSSA	1	AUD\$2595.00	\$13,145.19	AUD\$120.00	\$607.90	AUD\$190.00	\$962.51	<b>\$14,715.60</b>
Management & Leadership Course	Australia	CSSA	1	AUD\$2595.00	\$13,145.19	AUD\$120.00	\$607.90	AUD\$190.00	\$962.51	<b>\$14,715.60</b>
Aviation Law	Australia	CSSA & Admin	1	AUD\$2595.00	\$13,145.19	AUD\$120.00	\$607.90	AUD\$190.00	\$961.51	<b>\$14,714.60</b>
Consultancy ERP	Henderson, Honiara	CSSA	1	AUD\$4803.00	\$30,000.00	\$0.00	\$400.00	\$0.00	\$945.00	<b>\$31,345.00</b>
Consultancy Safety Manager	Henderson, Honiara	CSSA	1	AUD\$7,000.00	\$35,696.07	\$0.00	\$400.00	\$0.00	\$798.00	<b>\$36,894.07</b>
Airside RAMP	Australia	CSSA	1	AUD\$3202.00	\$20,000.00	AUD\$100.00	\$509.94	AUD\$190.00	\$961.51	<b>\$21,471.45</b>
Refresher Training-Issuance of Authorisation	Australia	CSSA	1	AUD\$2401.50	\$15,000.00	AUD\$100.00	\$509.94	AUD\$190.00	\$961.51	<b>\$16,471.45</b>

System for Continual Improvement	Australia	CSSA	1	AUD\$2595.00	\$13,145.19	AUD\$120.00	\$607.90	AUD\$190.00	\$961.51	<b>\$14,714.60</b>
<b>TOTAL</b>			<b>11</b>		<b>\$197,070.70</b>		<b>\$5,975.80</b>		<b>\$10,222.24</b>	<b>\$213,268.74</b>

COMMERCIAL										
Training Course	Location	Department	Participant	Costs (F/Currency)	Cost SBD\$	DTA F/Currency	DTA SBD\$	Accom F/Currency	Accom SBD\$	Total cost SBD
Reservations, Fares and Ticketing	Honiara	Commercial & Marketing	1	AUD\$14080.00	\$71,327.25	\$0.00	\$400.00	\$0.00	\$1,728.00	<b>\$73,455.25</b>
Staff online Courses	Online	Commercial & Marketing	6	AUD\$1000.00	\$5,076.14	\$0.00	\$0.00	\$0.00	\$0.00	<b>\$5,102.04</b>
<b>TOTAL</b>			<b>7</b>		<b>\$76,403.39</b>		<b>\$400.00</b>		<b>\$1,728.00</b>	<b>\$78,557.29</b>

ENGINEERING										
Training Course	Location	Department	Participant	Costs (F/Currency)	Cost SBD\$	DTA F/Currency	DTA SBD\$	Accom F/Currency	Accom SBD\$	Total cost SBD
Dash 8 type training, 5 weeks	Australia/NZ/PNG	Engineering	1	PGK5,000.00	\$8,406.19	PGK90.00	\$151.31	PGK190.00	\$319.44	<b>\$8,876.94</b>
Dash 8 type training, 5 weeks	BNE	Engineering	1	AUD\$5,000.00	\$25,329.28	AUD\$90.00	\$455.93	AUD\$190.00	\$962.51	<b>\$26,747.72</b>
Airbus Type training	Australia/NZ	Engineering	1	AUD\$5,000.00	\$25,329.28	AUD\$90.00	\$455.93	AUD\$190.00	\$962.51	<b>\$26,747.72</b>
IA course	NZ/PNG	Engineering	1	NZD\$2000.00	\$8,726.00	NZD\$120.00	\$523.56	NZD\$190.00	\$828.97	<b>\$10,078.53</b>
Airline management, SINU	Honiara	Engineering	1	\$0.00	\$10,000.00	\$0.00	\$0.00	\$0.00	\$0.00	<b>\$10,000.00</b>
Lead Auditor Training	Australia	Engineering	5	AUD\$12500.00	\$63,775.51	AUD\$120.00	\$607.90	AUD\$190.00	\$961.51	<b>\$65,344.92</b>
<b>TOTAL</b>			<b>6</b>		<b>\$185,425.91</b>		<b>\$2,651.48</b>		<b>\$4,997.45</b>	<b>\$193,074.84</b>

CUSTOMER SERVICE COURSE										
Training Course	Location	Department	Participant	Costs (F/Currency)	Cost SBD\$	DTA F/Currency	DTA SBD\$	Accom F/Currency	Accom SBD\$	Total cost SBD
Customer Service Training	Henderson, Honiara	All general dept. employees	1	\$0.00	\$0.00	\$0.00	\$400.00	\$0.00	\$2,024.00	<b>\$2,424.00</b>
<b>TOTAL</b>			<b>1</b>				<b>\$400.00</b>		<b>\$2,024.00</b>	<b>\$2,424.00</b>

CARGO										
Basic Cargo Skills and Handling Procedures	Singapore	Cargo	1	SGD517.16	\$3,200.00	SGD100.00	\$594.88	SGD150.00	\$892.33	\$18,748.84
Advanced Cargo Skills and Handling Procedures	Singapore	Cargo	1	SGD566.30	\$3,500.00	SGD100.01	\$594.88	SGD150.00	\$892.33	\$9,974.42
ASPA/IATA Trainings	Nadi	Cargo	1	FJD\$200.00	\$618.62	FJD\$100.00	\$309.31	FJD\$200.00	\$619.39	\$6,189.28
IATA/AVI Training	Singapore	Cargo	1	SGD566.30	\$3,500.00	SGD100.00	\$594.88	SGD150.00	\$892.33	\$14,961.63
ULD Operations Training	Singapore	Cargo	1	SGD404.50	\$2,500.00	SGD100.00	\$594.88	SGD150.00	\$892.33	\$11,961.63
PER/IATA training	Singapore	Cargo	1	SGD404.50	\$2,500.00	SGD100.00	\$594.88	SGD150.00	\$892.33	\$11,961.63
Cargo Proration	Singapore	Cargo	1	SGD566.30	\$3,500.00	SGD100.00	\$594.88	SGD150.00	\$892.33	\$14,961.63
<b>TOTAL</b>			<b>7</b>		<b>\$19,318.62</b>		<b>\$3,878.59</b>		<b>\$5,973.37</b>	<b>\$29,170.58</b>

HUMAN RESOURCES AND ADMINISTRATION										
Training Course	Location	Department	Participant	Costs (F/Currency)	Cost SBD\$	DTA F/Currency	DTA SBD\$	Accom F/Currency	Accom SBD\$	Total cost SBD
Legal Training Course	S.I.N.U Ranadi Campus	HR & Admin	1	0.00	\$1,800.00	0.00	\$0.00	0.00	\$0.00	<b>\$1,800.00</b>
Problem solving	Henderson, Honiara	HR Admin & dept. heads	1	0.00	\$640.00	0.00	\$0.00	0.00	\$0.00	<b>\$640.00</b>
Masterclass: Employee Relations Management	Sydney Central,	HR Admin & Managers	1	AUD\$9,628.38	\$48,974.26	AUD\$120.00	\$607.90	AUD\$190.00	\$962.51	<b>\$50,544.67</b>
Psychosocial Risk Management,	Hilton Brisbane	HR Admin & Managers	1	AUD\$2500.00	\$12,716.17	AUD\$120.00	\$607.90	AUD\$190.00	\$962.51	<b>\$14,286.58</b>
HR in the Digital Age	NAN, Fiji	HR Admin & Managers	1	FJD\$2,787.24	\$8,644.54	FJD\$120.00	\$607.90	FJD\$200.00	\$619.39	<b>\$9,871.83</b>
Advance management	Australia	HR & Admin & Managers	1	AUD\$2495.00	\$12,691.25	AUD\$120.00	\$607.90	AUD\$190.00	\$962.51	<b>\$14,261.66</b>
Driving HR Innovation to Enhance Employee Experience	Singapore	HR & Admin	1	SDG2950.00	\$17,611.94	SDG120.00	\$607.90	SDG145.00	\$865.67	<b>\$19,085.51</b>
Transforming Talent in the Digital Age	Kuala Lumpur	HR & Admin	1	USD\$2950.00	\$21,611.72	USD\$120.00	\$607.90	USD\$145.00	\$865.67	<b>\$23,085.29</b>
Compensation Management Workshop/training	Honiara	HR & Admin	1	\$0.00	\$15,000.00	\$0.00	\$0.00	\$0.00	\$0.00	<b>\$30,000.00</b>
Team Building	S.I.N.U Ranadi Campus	HR Admin & dept. heads	1	0.00	\$800.00	0.00	\$0.00	\$0.00	\$0.00	<b>\$800.00</b>
Amadeus Inventory	Bangkok	HR & Comm	1	AUD\$10,000	\$51,020.41	AUD\$90	\$455.93	AUD\$190	\$962.51	<b>42,438.85</b>
<b>Total</b>			<b>11</b>		<b>\$191,510.29</b>		<b>\$4,103.33</b>		<b>\$6,200.77</b>	<b>\$201,814.39</b>

FINANCE										
Training Course	Location	Department	Participant	Costs (F/Currency)	Cost SBD\$	DTA F/Currency	DTA SBD\$	Accom F/Currency	Accom SBD\$	Total cost SBD
IATA -Cargo Revenue Management and Proration	Singapore	Finance	1	SGD160	\$967.00	SGD100.00	\$604.23	SGD150	\$892.33	<b>\$7,399.68</b>
IATA - Online course Revenue Management	on site	Finance	1	USD70	\$600.00	\$0.00	\$0.00	\$0.00	\$0.00	<b>\$1,200.00</b>
IATA/ASPA - Revenue Management and Development Strategies	Nadi, Fiji	Finance	1	FJD200	\$619.39	FJD100.00	\$310.37	FJD200	\$619.39	<b>\$4,656.45</b>
CPA-Risk Management	Australia	Finance	1	AUD400	\$2,500.00	AUD120	\$612.87	AUD179	\$914.20	<b>\$8,054.14</b>
Solomon Islands Institute of Account & CPA Australia training	Brisbane	Finance	1	SBD	\$30,000.00	\$0.00	\$0.00	\$0.00	\$0.00	<b>\$0.00</b>
CPA Australia Programme	on site	Finance	1	SBD	\$20,000.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
<b>TOTAL</b>			<b>6</b>		<b>\$54,686.39</b>		<b>\$1,527.47</b>		<b>\$2,425.92</b>	<b>\$58,639.78</b>

MAINTENANCE CONTROL DEPARTMENT											
Training Course/Program	Location	Department	Participant	Training costs (F/Currency)	Training cost SBD\$	DTA (F/Currency Est.)	DTA SBD\$	Accom (F/Currency Est.)	Accom SBD\$	Total cost (SBD Est.)	Training Date
SMS	Solomon Airlines	CAM	1	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	20-Mar
Human Factors	Solomon Airlines	CAM	1	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	20-Mar
Dangerous Goods Awareness	Solomon Airlines	CAM	1	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	20-Mar
Microsoft Office Apps	Datec SI	CAM	1	AUD\$80.05	\$500.00	AUD\$90.00	\$455.93	AUD\$190.00	\$962.51	\$1,918.44	20-Jun
Quality Audit	AQS - Aus	CAM	1	AUD\$500.00	\$2055.01	AUD\$90.00	\$455.93	AUD\$190.00	\$962.51	\$3,473.45	TBA
IOSA	AQS - Aus	CAM	1	AUD\$500.00	\$2055.01	AUD\$90.00	\$455.93	AUD\$190.00	\$962.51	\$3,473.45	
Supervisor Course	Australia	CAM	1	AUD\$6000.	\$30,753.46	AUD\$90.00	\$455.93	AUD\$190.00	\$962.51	\$32,171.90	20-Jun
Maintenance Program course	Online	CAM	1	USD\$1,200	\$8,759.12	\$0.00	\$0.00	\$0.00	\$0.00	\$9,215.05	20-Mar
Weight & Balance	MEMKO	CAM	1	AUD\$1,500	\$7653.03	AUD\$90.00	\$455.93	AUD\$190.00	\$962.51	\$12,367.35	June 2020 & June - 21
Secondment Engagement	Australia	CAM	1	AUD\$500.00	\$2055.01	\$0.00	\$0.00	\$0.00	\$0.00	\$2055.01	2020 Open
<b>TOTAL</b>			<b>10</b>		<b>\$57,126.52</b>		<b>\$2,279.65</b>		<b>\$4,812.55</b>	<b>\$64,218.72</b>	

DOMESTIC FLIGHT OPERATIONS												
Training Course/Program	Location	Department	Participant	Training costs (F/Currency)	Training cost SBD\$	DTA (F/Currency Est.)	DTA SBD\$	Accom (F/Currency Est.)	Accom SBD\$	Travel (F/Currency)	Travel (SBD\$)	Total cost (SBD Est.)
Initial DHC-6 Ground school course	Henderson, Honiara	Domestic Pilots Ops	1	\$0.00	\$0.00	\$0.00	\$400.00	\$0.00	\$798.00	\$0.00	\$0.00	\$1,198.00
DHC-6 Ground sch & Emergency Procedures	Henderson, Honiara	Domestic Pilots Ops	1	\$0.00	\$0.00	\$0.00	\$400.00	\$0.00	\$798.00	\$0.00	\$0.00	\$1,198.00
DHC-Simulator Training	MEL, Australia	Domestic Pilots Ops	1	AUD\$80,000.00	\$407,955.12	AUD\$12,600.00	\$64,252.93	AUD\$11,400.00	\$58,133.61	AUD\$11,200.00	\$57,113.72	\$587,455.38
Simulator Training Int'l Flt Ops	MEL Australia	Int'l Flt Ops	1	AUD\$60,000	\$305,498.98	AUD100	\$311.33	AUD\$90.00	\$962.51	\$0.00	\$0.00	\$306,772.82
DHC6 Instrument Rating Competency	Henderson, Honiara	Domestic Pilots Ops	1	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
ATPL - Human Factors	Fiji	Domestic Pilots Ops	1	FJD\$500.00	\$1,556.56	FJD\$100.00	\$311.33	FJD\$200.00	\$619.39	\$0.00	\$0.00	\$2,487.28
ATPL - Meteorology	Fiji	Domestic Pilots Ops	1	FJD\$500.00	\$1,556.66	FJD\$100.00	\$311.33	FJD\$200.00	\$619.39	\$0.00	\$0.00	\$2,487.38
ATPL - Navigation	Fiji	Domestic Pilots Ops	1	FJD\$1400.00	\$4,358.66	FJD\$100.00	\$311.33	FJD\$200.00	\$619.39	\$0.00	\$0.00	\$5,289.38
ATPL - Flight Planning	Fiji	Domestic Pilots Ops	1	FJD\$2850.00	\$8,872.98	FJD\$100.00	\$311.33	FJD\$200.00	\$619.39	\$0.00	\$0.00	\$9,803.70
ATPL - Performance & Loading	Fiji	Domestic Pilots Ops	1	FJD\$1600.00	\$4,981.32	FJD\$100.00	\$311.33	FJD\$200.00	\$619.39	\$0.00	\$0.00	\$5,912.04

ATPL - Aerodynamics & Systems	Fiji	Domestic Pilots Ops	1	FJD\$2350.00	\$7,316.31	FJD\$100.00	\$311.33	FJD\$200.00	\$619.39	\$0.00	\$0.00	\$8,247.03
APTL - CAAF Exam Fees	Fiji	Domestic Pilots Ops	1	FJD\$2000.00	\$6,226.65	FJD\$100.00	\$311.33	FJD\$200.00	\$619.39	\$0.00	\$0.00	\$7,157.37
<b>TOTAL</b>			<b>12</b>		<b>\$748,323.24</b>		<b>\$67,943.57</b>		<b>\$65,825.85</b>		<b>\$57,113.72</b>	<b>\$939,206.38</b>

**AIRSAFE TRAINING ONLINE & FACE TO FACE**

Course name	Department	Location	Participants	Training cost (F/Currency)	Cost (SBD\$)	DTA F/Currency	DTA (SBD\$)	Accom (F/Currency)	Accom (SBD\$)	Total Estimate (SBD\$)
Dangerous goods – <b>Acceptance; Initial course</b>	Cargo, Domestic Traffic, International Traffic, Engineering Stores, Cabin Crew	Brisbane (Class room)	1	AUD\$550.00	\$2,819.70	AUD\$90.00	\$455.93	AUD\$190.00	\$962.51	\$4,238.14
		Online		AUD\$440.00	\$2,255.25	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Dangerous goods – <b>Refresher for Acceptance Trained Personnel</b>	Cargo, Domestic Traffic, International Traffic, Engineering Stores, Cabin Crew	Brisbane (Class room)	1	AUD\$286.00	\$1,465.91	AUD\$90.00	\$455.93	AUD\$190.00	\$962.51	\$2,884.35
		Online		AUD\$220.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Dangerous goods – <b>For all Awareness Category</b>	Cargo, Domestic Traffic, International Traffic, Engineering Stores, Cabin Crew	Online	1	AUD\$80.00	\$410.05	\$0.00	\$0.00	\$0.00	\$0.00	\$410.05



Dangerous goods – Awareness Ground Crew	Cargo, Domestic Traffic, International Traffic, Engineering Stores, Cabin Crew	Online	1	AUD\$80.00	\$410.05	\$0.00	\$0.00	\$0.00	\$0.00	\$410.05
Dangerous goods – Awareness Cabin Crew	Cabin Crew	Online	1	AUD\$80.00	\$410.05	\$0.00	\$0.00	\$0.00	\$0.00	\$410.05
Transportation of Infectious Substances – Category A, B and Exempt	Cargo Staff	Online	1	AUD\$165.00	\$845.72	\$0.00	\$0.00	\$0.00	\$0.00	\$845.72
		Classroom		AUD\$220.00	\$1,127.63	AUD\$90.00	\$455.93	AUD\$190.00	\$962.51	\$2,546.07
Transporting Flammable Liquids	Cargo and CSSA	Online	1	AUD\$165.00	\$845.72	\$0.00	\$0.00	\$0.00	\$0.00	\$845.72
		Classroom		AUD\$220.00	\$1,127.63	AUD\$90.00	\$455.93	AUD\$190.00	\$962.51	\$2,546.07
Transporting Dry Ice	Cargo, CSSA	Online	1	AUD\$88.00	\$451.05	\$0.00	\$0.00	\$0.00	\$0.00	\$451.05
Hazardous Chemical Management	Cargo, Engineering Stores	Online	1	AUD\$198.00	\$1,014.86	\$0.00	\$0.00	\$0.00	\$0.00	\$1,014.86
		Classroom		AUD\$220.00	\$1,127.63	AUD\$90.00	\$455.93	AUD\$190.00	\$962.51	\$2,546.07
Total			9		\$15,433.55		\$2,279.65		\$4,812.55	\$22,525.75
GRAND TOTAL			123		\$1,656,192.25		\$96,900.66		\$117,710.34	\$1,927,916.97

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### 3.2.3 02.3: EQUAL OPPORTUNITY EMPLOYER

In order to become a truly equal opportunity employer, HR staff actively visited the disability centers in Honiara during 2019 looking for people with disabilities who may be able to work for the Company. In October 2019 the Airline engaged the services of a young handicapped female to work at the reception phone switchboard. In QTR 1 2020 we will continue to seek additional suitable persons to fill appropriate roles within the operation.

### 3.2.4 02.4: GRADUATE TRAINEE PROGRAM

This program enables the Company to recruit and train graduates with a view to assuming future management roles by way of a 24 months program where the graduates work on a three (3) months rotation basis in the various business units of the organization to gain a better understanding of the whole organization and how all the various business units work together to deliver organization goals and objectives. The program also addresses the issue of “brain drain” and loss of skilled and experienced personnel to competitors and the private sector which is becoming a grave concern. In this regards, Solomon Airlines will become more competitive and aggressive in its approach to retaining the knowledge, skills and experience of its key personal.

A further review will be conducted in early 2020 to ascertain recruitment of graduates selected from Finance, Engineering, Management and IT disciplines.

### 3.2.5 02.5: REMUNERATION

An analysis of Grades and Levels was carried out in 2019 and consistency now applies across the relevant staff positions. It is expected there will be a CPI increase of 3-4% in early 2020 and this has been budgeted for. All grades are remunerated above the minimum basic wage hourly rate.

### 3.2.6 02.6: CUSTOMER SERVICE TRAINING

Customers have more information, power and choice than ever before and keeping them happy by ensuring our product, image and services are continually solving their problems and bringing value is paramount.

In 2019 significant time was spent on conducting on-the-job training, improving processes, system knowledge and encouraging teamwork. This will continue in 2020.

A specific customer service training program will be delivered and presented to all our frontline team members in 2020. This will cover areas such as:

- The value of our customers and why we need to retain them
- What customers expect from the airline industry in 2020
- Understanding the customer journey and customer touchpoints
- How to communicate with customers and team members

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- The importance of acknowledgment & how to address our customers (on the phone and in person)
  - The importance of following through
  - Conflict resolution
  - Communication Skills
  - Teamwork
  - Customer service essentials - Call centers
  - Communicating value
  - Taking ownership of a problem and dealing with customer dissatisfaction
  - Handling enquiries + Customer management
  - Building high trust, value rich customer relationships

A key issue throughout the entire airline is a lack of communication between team members and Departments. Many problems could be resolved, and new ideas worked through if team members would collaborate with each other.

Workshops are planned with team members from all Departments to improve communication and teamwork. The challenges that the frontline team members face which can be improved through collaborative teamwork (e.g. schedule changes) will be shared so that all team members understand the implications of their actions on their colleagues and our customers. This will also help give all participating team members an understanding of the end-to-end customer experience and encourage thought and discussion about how their actions affect the customer.

### **3.3 COR-03: FORMAL STAFF APPRAISAL SYSTEM**

Performance Appraisal is a management tool used to audit and monitor performance of employees to ensure that they are performing to expected standards to contribute to organization goals and objectives. It is also used to address areas of training, careers development, discipline and remuneration as well as review of job descriptions.

The Staff Appraisal system is directly linked to this Business Plan in terms of training, succession planning and budgets. KPI's will be agreed to by respective individual staff members and Management in January 2020 for formal annual appraisal in October 2020 prior to the drafting of the Statement of Corporate Objectives 2020 and the 2020-22 Company Business Plan. This will provide a review of succession planning process and drafting of definitive training needs and analysis together with budgetary provisions. Mid-term appraisal reviews will be conducted in July/ August 2020 followed up with annual appraisals in October 2020.

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### **3.4 COR-04: COMMUNITY SERVICE OBLIGATIONS**

As the National Carrier and a State-Owned Enterprise, the Airline is required to provide regular service to some 24 provincial airports. Many of these are not profitable in their own right, despite revised scheduling and combining flights as appropriate. SIG continued to provide financial support by way of annual CSO contributions toward cost of servicing unprofitable routes. This funding follows on submission of a CSO application required to be submitted for consideration to the Economic Reform Unit in November of each year. In this regard many provincial Airstrips have not been properly maintained for many years resulting in far higher than budgeted maintenance due to poor runway conditions reinforcing the Airline's need for CSO funding.

### **3.5 COR-05: REPORTING- STATE OWNED ENTERPRISES ACT 2007**

The State-Owned Enterprises ACT of 2007 requires the Airline to provide to Honorable Minister of Finance and Treasury the following reports/plans throughout the year:

- Statement of Corporate Objectives- Due no later than 30 November 2020/21/22
- Annual Report- Submitted to Minister of Finance & Treasury on completion of audit and signing off by the Auditor General
- Half-Yearly Reports- Within two months after end of first half of Financial Year-. i.e. by end August, each year.

#### **3.5.1 COR-05.1: STANDARD BUSINESS UNIT MONTHLY REPORTING**

The CEO is required to provide to the Board of Directors, on a monthly basis, a status report on progress made against action items contained in both the Statement of Corporate Objectives 2020-2022 and the Company Business Plan 2020-2022 together with any important relevant matters that may arise from time to time.

Rather than the CEO spend valuable time drafting a consolidated report, all the Managers of the standard business units shall provide detailed information insofar as their Department is concerned by the last Monday of each month in line with EXCO and monthly Board Meetings. All Managers must ensure that only matters of importance to the Airline's operation are addressed.

#### **3.5.2 COR-05.2: EXCO**

Senior Management make up the EXCO team and will meet on a monthly basis normally coinciding with the day prior to the Board of Directors Meeting.

#### **3.5.3 COR-05.3: BOARD OF DIRECTORS MEETING**

The board of directors meet monthly normally on the last Wednesday of each month. The CEO is required to attend these meetings a give a detailed presentation on the status of the Airline Operations.

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### 3.5.4 COR-05.4: ANNUAL GENERAL MEETING

An Annual General Meeting of the Shareholders of Solomon Airlines LTD to approve Directors Reports and Financial Accounts will be conducted during Quarter 1, 2020.

### 3.5.5 COR-05.5: CIVIL AVIATION AUTHORITY OF SOLOMON/ISLANDS (CASSI)

The CEO will continue to hold regular monthly meetings with CAASI in order to keep them informed on the status of regulatory issues impacting on both Solomon Airlines LTD and CAASI.

### 3.5.6 COR-05.6: ANNUAL MANAGEMENT REVIEW

In accordance with the provisions of Management Manual sections 7.2.5 and 7.2.5, the company will conduct an annual management review in September 2020.

This Review will focus on the internal performance of organization, namely.

- Performance against SCO and Business Plan
- Safety and Operational Issues
- Financial Performance
- Political Issues
- Legal Environment
- Economic Factors
- Competition
- Changes in Technology
- Records Retention Policy

## 3.6 COR-06: PROPERTY LEASES

All FTE Renewal Applications were submitted to the Ministry of Lands, Housing and Survey (MLHS) on the 15th of January 2019. With the help of the Acting Lands Commissioner, some progress in renewing the leases has been made. Of the 22 properties in question, four (4) properties have been renewed and have 33 – 73 years remaining before renewal. The remaining eighteen (18) properties are currently going through valuation and surveying phase before the Board of Directors of MLHS deliberate on them or renewal.

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### **3.7 COR-07: PROPERTY MANAGEMENT**

There is now a plan in place for fixed term estates renewal making preparation prior to renewal dates easier.

Improvements are required to be made on several properties which are in a state of disrepair. A priority refurbishment plan will be prepared in QTR 1, 2020 which will also make a recommendation for retention of or sale of each property. Prime sites like Tandai and West Kola properties will be retained.

### **3.8 COR-08: COMPANY OWNED PREMISES**

The current title holder of the Head Office is Pacific Car Rentals. It has been resolved by its Board of Directors to transfer title from Pacific Car Rental to Solomon Airlines Ltd. The transfer process is still pending as Solomon Airlines Ltd is yet to apply for consent from the Bank South Pacific.

### **3.9 COR-09: TANDAI**

The road expansion from Town ground to White River Road (Upgrade from two lanes to four lanes) will have minor effect on the Tandai property parcel no. 191-006-3. A draft Memorandum of Understanding was made between the Solomon Islands Government represented by the Ministry of Infrastructure Development together with the Ministry of Lands, Housing and Survey and Solomon Airlines Ltd. It will result in the fence of parcel no. 191-006-3 moved inward to the property. Replacement of the fence will be at the cost of MID.

The Namole Case is an ongoing matter since 2011. Currently, Solomon Airlines Ltd has applied for the renewal of the enforcement order as the occupant has failed to comply with an Agreement reached earlier in 2019 to purchase the property.

### **3.10 COR-10: PROJECT SPACE**

#### **3.10.1 CUSTOMER CARE CENTRE:**

The design and quotes for the Customer Care Centre in the Head Office at Henderson airport have been received. Work will commence once funding is available in 2020. Target Date- end QTR 2 2020.

#### **3.10.2 PT CRUZ SALES OFFICE:**

The ground floor level refurbishment as well as the operational design work for phase 2- (Top Floor) has been completed and Phase 3 (Basement) to be evaluated in QTR- 2, 2020 with refurbishment to commence QTR3-2020 (subject to availability of funds)

### **3.11 COR-11: ONSITE NURSE/CLINIC**

An assessment will be made during QTR.2 2020 on feasibility of providing a medical clinic facility at the Henderson Head Office. The investment is being considered to reduce the amount time taken off work by staff due to illness. This initiative will be largely dependent on the cost and available space.

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### **3.12 COR-12: HR SYSTEMS**

The MYOB Green Tree System contains some sixteen HR applications which are progressively being introduced to improve efficiency in the HR department. One of these initiatives includes striving for a paperless work environment. In 2020 we will be incorporating the following HR Modules:

- Online Employee Development- including annual/semi-annual appraisals, succession planning etc.
- Online leave planning and application for leave
- Recording of all forms of contracts (IE. Suppliers, consultants & staff) as back up to the Contracts Register

Each HR Module costs approximately AUD \$3,000 plus an annual maintenance fee of AUD \$500. Training costs for the HR staff are additional. The return on investment will be significant as we improve our staff development and better manage all aspects of leave.

### **3.13 COR-13: IATA OPERATIONAL SAFETY AUDIT**

The next IOSA audit will be carried out in November 2020. The selection process for the organization to carry out the audit will be carried out in March 2020. IOSA accreditation is mandatory to continue code sharing with other designated carriers and other IATA benefits. The estimated cost of the Audit is SBD\$1.6 million.

### **3.14 COR-14: PARTNERSHIPS**

The agreement whereby Solomon Airlines operates Wednesday flights to Tarawa and return the following day on behalf of Air Kiribati will expire on 31/01/2020. Air Kiribati is seeking an extension through to March 2020 however a decision is yet to be made. SAL will be looking at a more effective schedule with Fiji in the event Air Kiribati operates out of Tarawa on its own behalf.

### **3.15 COR-15: GROWTH INITIATIVE**

The trend in the Airline industry is to establish strategic partnerships/alliances between carriers in order to meet competition, improve cost efficiencies, maximize seating capacity on same service routes and generally raise efficiency levels overall. This forms an integral part of the Company growth strategy and more importantly will guarantee a successful future for the Airline. It also provides for greater aircraft utilization.

Growth will be sought through:

- a) Expanding code share arrangements with Air Niugini on their Asia schedules and similarly with Fiji Airways looking at passage through to their scheduled American and Asian Destinations.

- b) Determining the viability potential of opening up the Honiara - Buka and Honiara - Santo or Port Vila routes and Honiara – Nauru with ATR 42 aircraft.

### 3.16 COR-16: STRATEGIC OBJECTIVES- CORPORATE, HR & ADMIN

Key Strategic Outcome	Proposed Action Plan	Performance Target	Budget
COR 02 TRAINING		Quarter 1 2020	SBD\$1,928,000.00
COR 02.1 Management COR 02.2 Functional	conduct the management Training As planned	Quarter 1 2020	
COR 02.3 Equal Opportunity Employer	SAL to continue to engage suitable disabled persons to fill appropriate roles	Ongoing	N/A
COR 06 PROPERTY LEASES	To ensure the outstanding leases over eighteen (18) properties with the Ministry of Lands, Housing and Survey are renewed.	Quarter 1, 2020	
COR 07 PROPERTY MANAGEMENT	SAL will put in place a policy covering process coverage for future property management.	Quarter 1, 2020	
COR 15 PROJECT SPACE	Priority projects SAL to work on in 2020 are the 1. Customer Care Centre and 2. Pt Cruz Sales Office.	Quarter 3, 2020	SBD 650,000
COR 16 ON SITE NURSE/CLINIC	SAL to carry out feasibility of providing a medical clinic at Henderson Head Office	Quarter 2, 2020	
COR 18 IATA OPERATIONAL SAFETY AUDIT	SAL to prepare for the IATA Operational Safety Audit and ensure selection of Auditor is done by early 2020	Quarters 2 and 4	SBD\$1.6m
COR 20 GROWTH INITIATIVES	SAL growth strategy will be sought through code share with Air Niugini and Fiji Airways. Will also look at viability of Honiara to Buka and Honiara to Santo routes	Quarter 2, 2020	



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## 4 FLEET PLANNING & MANAGEMENT

### **SUMMARY:**

Solomon Airlines fleet consists of One Airbus A320 Aircraft-Servicing International schedules operating between Brisbane, Honiara, Port Vila, Nadi and Tarawa. One DHC8 Company owned Aircraft (Dash 8) servicing Munda Gizo. Auki, Kirakira, Lata, Manaoba, and Lomlom (Favourable weather conditions permitting for some ports). Two DHC-6 company owned Aircraft (Twin Otter) and two leased DHC6 Aircraft servicing Twenty-One Provincial destinations.

### **4.1 FPM-01: DOMESTIC OPERATIONS**

#### **4.1.1 FPM-01.1: DEHAVILLAND DH6-300 TWIN OTTER**

During 2019, Two Twin Otters H4-OTA and H4-NNP were refurbished both exterior + interior. The first of the relifed Twin Otters from Ikhana USA is expected to be delivered in early 2020. The delivery of a second relifed Twin Otter is planned for QTR 4 2020, leased Twin Otters H4 MAX and H4 FSI will be returned to the owners as the relifed aircraft come into service.

#### **4.1.2 FPM-01.2: DEHAVILLAND DASH 8 AIRCRAFT- H4-SOL**

The aircraft was acquired from Olympic Airlines and commenced service with the Airline in late 2012. It is always difficult to maintain a reliable service with one aircraft as there is no backup available. The reliability of the Dash 8 H4-SOL has declined over the past two years due to several factors including, poor airstrip maintenance problems, the difficulty of obtaining and the cost of holding many expensive parts, the lack of interest from a number of engineers and finding available time for maintenance.

Given the current reliability issues and the limited recovery options in the case of a breakdown alternative aircraft or an additional Dash 8 must be considered or acquiring an alternative aircraft such as the ATR 42 aircraft which are still in production and are more reliable although not as versatile as they generally require longer runways to carry a full load.

The length of Domestic airstrips is a consideration when determining viable replacement options. Whilst an analysis using ATR42s was carried out with recommendations presented to the Board in 2019, the financial constraints prevented further action. A further analysis and report will be presented to the Board by the end June 2020.

#### 4.1.3 FPM-01.3: AIRBUS A320

The finance lease of the Airbus A320-H4 Bus ended in September 2019 and now belongs to Solomon Airlines and will be sold in December 2019. An extensive search has been conducted to find an alternative aircraft to replace the ageing Airbus with a newer model. The advantages of new aircraft include passenger appeal, low maintenance and improved reliability.

A decision has been made to lease a relatively new Airbus A320 MSN 2445 (Ex Air New Zealand) which will be available late January and operational mid-February following painting and a cabin refit. Expression of interest have been sought from interested partners to purchase the SAL owned Airbus A320-H4 Bus. The current plan is for this aircraft to leave the Company at the end of January 2020 prior and to ensure the new owners can fly the aircraft to wherever they want it prior to the C Check due in February.

#### 4.2 FPM-02: STRATEGIC OBJECTIVES FOR 2020-2022

KEY STRATEGIC OUTCOME	PROPOSED ACTION PLAN	PERFORMANCE TARGET	BUDGET
<b>2<sup>ND</sup> Relifed Twin Otter</b>	H4 SID Now in USA for relifing	Q4 2020	USD\$ 65,000 per month
<b>3<sup>RD</sup> Relifed Twin Otter</b>	Ear mark either H4 NNP or H4 OTA to send to IKHANA	Q3 2021	USD\$ 65,000 per month
<b>Assess Options to replace Dash 8 H4. SOL/or Source additional Dash 8</b>	Consider: <ul style="list-style-type: none"><li>• Available Suitable Airstrips</li><li>• Best Aircraft type</li><li>• Lease Costs</li></ul>	Analysis by End QTR 2	NIL
<b>Cabin Refit New A320 MSN 2445</b>	<ul style="list-style-type: none"><li>• Provide business and Belama class seating</li></ul>	February 2020	AUD\$ 50,000

## 5 INFORMATION TECHNOLOGY & SYSTEMS

### 5.1 ITS-01: INFORMATION TECHNOLOGY AND SYSTEMS

Technology is continuously evolving and the trends within the developed economies can also be experienced within the country because of globalisation and virtual proximity of societies, enhanced by the internet.

The soon to arrive undersea fibre optic cable (expected between late Dec 2019 and early 2020), will greatly improve the internet connection in Solomon Islands, by delivering faster, potentially cheaper and more reliable communications infrastructure which will provide significant economic and development benefits.

This will however present higher risks, in terms of cyber security and the need for further improved and robust best practice or standards to be adopted and adhered, is crucial. This requires commitment and action from all concerned, as well the necessary financial budget.

The key areas that would be focused on are:

### 5.2 ITS-02: CUSTOMER SERVICES MANAGEMENT

The aim is to further improve IT service to both internal and external users, using advanced self-service and automation, integrated with enterprise business processes and active relationship management. The use of web-based portals, intranets, applications and services including on Mobiles, will increase or be introduced.

The need to also improve our stakeholders experience so that the system and data is confidential (authorised access only), has integrity (is accurate and complete) and is available (authorized users have reliable and timely access to information), will be fundamental.

The hardware and software provided, must also meet requirements and create efficiency and in this regard all front-line customer devices will be upgraded.

IT Training for staff in the use of the common IT applications, hardware and security, will also be targeted and delivered.

### 5.3 ITS-03: ICT OPERATIONS

Ensure continuity of services through strengthened ICT Security, clear Operational Processes, effective Change Management, IT Governance and Risk Management controls.

Business Continuity implementation through a full scaled solution will be implemented in 2020. Given the expected internet improvements as a result of the undersea fibre-optic cable, cloud solutions for back up and disaster recovery procedures will also be investigated and may also be adopted.

In 2019, the flysolomons.com emails were migrated to Outlook365 successfully. Further email security features such as SPF will also be applied. This SPF (Sender Policy Framework) for Email is an email authentication method designed to detect forging sender addresses during the delivery of the email. SPF alone, though, is limited only to detect a forged sender claimed in the envelope of the email which is used when the mail gets bounced. More user controls and awareness will also be applied in 2020.

Data Protection and Privacy Regulations such as the GDPR (General Data Protection Regulation) for EU citizens now require our attention. An IT Security Strategy will be formulated to provide guidance on the approach to take.

Visual Monitors or Dashboard Displays, showing status of critical devices or services, will also be implemented in 2020, to provide better monitoring and management.

#### **5.4 ITS-04: INNOVATION**

Drive innovation and change the way Solomon Airlines delivers its services by providing a leading-edge technology toolkit that includes options for international and domestic mobility, transparency, open social engagement and business intelligence.

This introduction of services, such as Cloud Computing, VoIP (Voice over Internet Protocol), live video-conferencing or steaming to potential customers, e-learning platforms, mobile applications and others, will be more realistic to be implemented in 2020 onwards, once the undersea fibre-optic cable is operational.

#### **5.5 ITS-05: IT INVESTEMENT AND BUDGET**

Maximise the service benefits from ICT investments with priorities that align with the Solomon Airlines strategic direction, whilst considering value for money.

These investments or projects should pass through an IT Steering committee that applies a proper, transparent assessment and endorsement approach.

## 5.6 ITS-06: PERFORMANCE MANAGEMENT

Develop and improve in-house workforce capability and capacity that is supplemented with proven technology specialist suppliers.

The MIS/IT Department full-time staff are:

- Manager MIS/IT
- Deputy Manager MIS/IT – IT Security
- System Administrator
- Network Administrator
- IT Officer
- Assistant IT Officer

There is a need to recruit two (2) additional IT Support staff. This will allow for better first level IT support coverage, as currently the two staff in this role, also assist the System and Network Administrators.

IT staff performance and training plans will continue to be developed with periodic assessment.

IT Service Providers will also be similarly assessed to better ensure there is value for money, best practice applied as well as to better manage risks.

## 5.7 ITS-07: STRATEGIC OBJECTIVES 2020

The following table highlights the Key Objectives and timelines:

Key Outcome	Proposed Strategic Action	Performance Targets	Budget
ITS-07.1 FULL OFFSITE DR (DISASTER RECOVERY) AND BUSINESS CONTINUITY SET-UP	Review, Design, procure equipment and implement the full setup of the offsite DR and Business Continuity.	Complete by end of Q1 2020	EST AUD\$150,000.00

ITS-07.2 IMPLEMENT SPF RECORDS	Further necessary email security enhancements.	Start Q1 2020.	EST cost TBC.
ITS-07.3 IT SECURITY STRATEGY AND IT STEERING COMMITTEE ESTABLISHED.	As part of IT Governance, Risk Management and Security having these in place will be critical.	Complete by end of Q1 2020	EST cost TBC
ITS-07.4 REPLACEMENT OF OLD BRISBANE SERVER.	The Brisbane server is due for an upgrade and needs to be replaced.	Complete by end of Q1 2020.	EST cost of SBD\$90,000.00. (\$15,000 AUD)
ITS-07.5 INSTALL TV SCREENS FOR VISUAL IT NETWORK MONITORING	To allow visual displays on critical IT services for better monitoring and response.	Start Q2 2020	EST cost TBC
ITS-07.6 INSTALL NEW IPPBX/VOIP PHONE SYSTEM	The current phone system is outdated and must be replaced. However, this needs to be done in-line with the plan of the call-center design.	Complete by end of Q2 2020	EST cost of SBD\$32,000/Installation + SBD20,000/month.
ITS-07.7 UPGRADE THE CURRENT CCTV SYSTEM AT HENDERSON AND INCLUDE POINT CRUZ OFFICE.	The current CCTV system must be reviewed to see if it caters for further expansion and upgraded to suit requirements.	Complete by end of Q2 2020.	EST cost of AUD\$20,000.00.
ITS-07.8 COMPANY INTRANET DESIGN, DEVELOPMENT AND IMPLEMENTATION	This is for IE staff to have an intranet page that contains all common forms, procedures policies etc.... for staff to access updated information easily. It can also be used as a communication tool between all IE staff.	Complete by end of Q2 2020	EST cost TBC.
ITS-07.9 MOBILE SMS BLASTING FOR PASSENGER UPDATES ON DOMESTIC FLIGHT STATUS	Use mobile SMS to inform domestic flight passengers of flight changes.	Start Q2 2020.	EST cost TBC.

ITS-07.10 DEDICATED UPS (UNINTERRUPTED POWER SUPPLY) FACILITIES TO BE SET UP AT HEAD OFFICE.	This is to ensure that proper UPS equipment is installed at Head Office. This will cater for the server room as well as all desktops.	Ongoing, depending on available budget.	EST cost of SBD\$60,000.00.
ITS-07.11 'ISLAND NET' SET-UP TO REMAINING IE PROVINCIAL OFFICES.	Continue roll-out of IE Internet setup, e-ticket & Email systems as well as convert remaining IE Agents to IE Offices.	Ongoing, depending on available budget.	Budget EST SBD\$10,500/office.
ITS-07.12 ROLL OUT OF CM TO MORE PROVINCIAL SITES THAT ARE ALREADY ONLINE.	Setup Electronic Check-In systems at all ports that have internet and suitable power available.	Ongoing, depending on available budget.	Budget EST SBD\$26000/office for BTP/BPP (set of printers).
ITS-07.13 COMPLETE UPGRADING ALL FRONT-LINE SERVICE COUNTERS WITH NEW IT HARDWARE	Ensure that all front-line counters are equipped with new and appropriate hardware and software.	Ongoing, depending on available budget.	EST cost TBC
ITS-07.14 RECRUITMENT OF TWO (2) ADDITIONAL IT SUPPORT OFFICERS	Recruit two new staff for first level IT Support	Complete by Q2 2020	Budget EST SBD\$80,000/per staff member Total SBD\$160,000.00.

## 5.7.1 ITS TRAINING REQUIREMENTS

Training Course/Program	Location	Department	Participant	Training costs (F/Currency)	Training cost SBD\$	DTA (F/Currency Est.)	DTA SBD\$	Accom (F/Currency Est.)	Accom SBD\$	Total cost (SBD Est.)
Online Training Portal	Online	IT & MIS	1	\$USD240	\$1,750.55	\$0.00	\$0.00	\$0.00	\$0.00	\$1,750.55
Cyber Security Masterclass	TBC	IT & MIS	1	US\$2,500	\$18,234.87	\$0.00	\$0.00	\$0.00	\$0.00	\$18,234.87
CISA - Certified Information System Auditor	TBC	IT & MIS	1	US\$3,190	\$23,267.69	\$0.00	\$0.00	\$0.00	\$0.00	\$23,267.69
VMWare Vshper 6.5 Setup your own enterprise environm	Online	IT & MIS	1	USD\$9.99	\$72.87	\$0.00	\$0.00	\$0.00	\$0.00	\$72.87
CISCO CCNA Cyber Ops	Online	IT & MIS	1	TBC	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
CompTIA A+ Core 1	Brisbane	IT & MIS	1	AUD\$4070	\$29,686.36	AUD\$90.00	\$456.85	AUD\$190.00	962.51	\$31,105.72
WS Certified Solutions Architect – Associate 2019	Online	IT & MIS	1	USD\$9.99	\$72.87	\$0.00	\$0.00	\$0.00	\$0.00	\$72.87
Microsoft Windows Server 2016 Training for Beginners	Online	IT & MIS	1	USD\$9.99	\$72.87	\$0.00	\$0.00	\$0.00	\$0.00	\$72.87
Complete Python Bootcamp: Go from zero to hero in Pyth	Online	IT & MIS	1	USD\$9.99	\$72.87	\$0.00	\$0.00	\$0.00	\$0.00	\$72.87
The Complete Cyber Security Course : Hackers Exposed!	Online	IT & MIS	1	USD\$9.99	\$72.87	\$0.00	\$0.00	\$0.00	\$0.00	\$72.87
The Complete Cyber Security Course : Network Security!	Online	IT & MIS	1	USD\$9.99	\$72.87	\$0.00	\$0.00	\$0.00	\$0.00	\$72.87
Cisco CCNA / ICND2 (200-105) Complete Course: Sims and	Online	IT & MIS	1	USD\$9.99	\$72.87	\$0.00	\$0.00	\$0.00	\$0.00	\$72.87
Linux for Absolute Beginners	Online	IT & MIS	1	USD\$9.99	\$72.87	\$0.00	\$0.00	\$0.00	\$0.00	\$72.87
Active Directory with Windows Server 2016: The Total Cou	Online	IT & MIS	1	USD\$9.99	\$72.87	\$0.00	\$0.00	\$0.00	\$0.00	\$72.87
The Complete Networking Fundamentals Course	Online	IT & MIS	1	USD\$9.99	\$72.87	\$0.00	\$0.00	\$0.00	\$0.00	\$72.87
CompTIA A+ 2019 Certification 1001. The total course	Online	IT & MIS	1	USD\$9.99	\$72.87	\$0.00	\$0.00	\$0.00	\$0.00	\$72.87
Linux Administration Bootcamp: Go from Beginner to Adv	Online	IT & MIS	1	USD\$9.99	\$72.87	\$0.00	\$0.00	\$0.00	\$0.00	\$72.87
Advanced Linux System Administration	Online	IT & MIS	1	USD\$9.99	\$72.87	\$0.00	\$0.00	\$0.00	\$0.00	\$72.87
ITIL 4 Foundation: Complete Course & 2 Practice Exams	Online	IT & MIS	1	USD\$9.99	\$72.87	\$0.00	\$0.00	\$0.00	\$0.00	\$72.87
CISSP certification practise questions: Domain 1 & 2 - 201	Online	IT & MIS	1	USD\$9.99	\$72.87	\$0.00	\$0.00	\$0.00	\$0.00	\$72.87
CISSP certification: CISSP Domain 7 & 8 Video Boot Camp	Online	IT & MIS	1	USD\$9.99	\$72.87	\$0.00	\$0.00	\$0.00	\$0.00	\$72.87
CISSM - Certified Information System Security Manager	Online	IT & MIS	1	USD\$9.99	\$72.87	\$0.00	\$0.00	\$0.00	\$0.00	\$72.87
<b>TOTAL</b>					<b>\$74,178.26</b>		<b>\$456.85</b>		<b>\$962.51</b>	<b>\$75,597.62</b>



Exchange Rate to \$A			0.1600												
	2020	2020													
Item	Cost	Cost	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	Total
	\$AUD	Converted \$SBD													
<b>IT</b>															
Printer/Scanner/Copier - Small - Provinces (Any new sites / Replacements)		9,000													-
Asset Tag Printer (x1)	3,200	20,000													
Boarding Pass and Baggage Tag printers (x8 sets)		208,000													
Boarding Pass Scanners (x2)	3,000	18,750													
MS Exchange Software (Mailing System) (s/w & h/w)	6,000	37,500													-
DR and Business Continuity setup	150,000	938,000													
Forepoint Web Gateway & Security (Incl Kaspersky)	6,800	42,500													-
IT Audit & implement recommendations	10,000	62,500													-
NAS (Network Attached Storage) & Data Storage server (hw/sw) / Cloud Solutions (off-site) / Ext HDD	5,000	31,250													-
MIS Development Tools	4,000	25,000													-
Admin Utilities (Software)	1,500	9,400													
Adobe Premiere / TeamViewer / Freshdesk	500	3,130													-
Cardax System Repairs & Improvements - Fingerprint system	5,000	31,250													-
<b>IPPBX (IP Phones) Project - Telekom</b>		270,000													
Video Conferencing Monitors	5,000	31,250													-
Firewalls/WAP (3)	10,000	62,500													-
Island Link Project - VSAT/Solar to x3 more sites		300,000													
Recruitment of new IT Support staff (2)		160,000													-
<b>PCs, Laptops (incl monitors)</b>		-													-
PT Cruz (5)	5,200	32,500													-
Provinces (6)	6,240	39,000													-
HeadOffice, Cargo, Cabin Services (20)	20,800	130,000													-
Finance (1 laptop)	3,120	19,500													-
Engineering (3)	3,120	19,500													-
CSSA (1 - laptop)	2,810	17,600													-
Domestic Traffic/OPS/Checkin (2)	2,080	13,000													-
INTL Ops (5) - Incl brisbane	5,200	32,500													-
Brisbane Server	8,400	52,500													-
Generic Docking Station (4)	1,000	6,250													-
Upgrade the CCTV system	20,000	125,000													-
<b>Standalone UPS</b>															-
All sites (20)		24,000													-
<b>Central Power Supply</b>															-
Point Cruz		13,600													-
Cargo/Cabin Services		13,600													-
Domestic		13,600													-
Engineering (Hanger)		13,600													-
Head Office		115,100													-
	36,000	2,940,880	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Notes:</b>															
The green highlight - costs will be offset from current phone charges but that is the cost to setup															

## 6 CORPORATE SAFETY SECURITY & AUDIT

The Corporate Safety, Security and Audit department is responsible for ensuring that the corporate Safety, Security and Quality objectives of the airline are being met. These objectives are:

- To ensure Solomon Airlines continued Compliance with the Civil Aviation Act 2008 Solomon Islands and the Civil Aviation requirements of the countries that Solomon Airlines operates to.
- Maintenance of the Air Operating Certifications and other approvals
- Ensuring compliance with the IOSA Registration, and consequently the IATA membership
- Ensuring a secure environment for the operation
- Managing the Airline's Safety Management system
- Continuous Improvement through the Quality Assurance Program
- Enabling the Airline to have the capability to efficiently manage emergencies, response and recovery.
- Ensuring that adequate resources are made available to achieve these objectives. The business plan provides the framework that details the activities, resources, personnel and timelines to achieve these objectives.

### 6.1 CSS-01: APPROVALS, CERTIFICATIONS AND PERMITS/LICENSE MANAGEMENT AND MONITORING

The Solomon Airlines Air Operating Certificate enables the company to operate air services domestically and its Foreign Air Operating certificates along with relevant air permits and or licenses allows Solomon Airline to operate to Brisbane in Australia, Port Vila in Vanuatu, Nadi in Fiji and Tarawa in Kiribati.

The AOC/FAOC are periodically renewed and the renewal process is done prior to the submission of the application. The renewal application is submitted three months before the expiry date of the AOC for regulators to process.

#### AOC

#### Expiry Date

Solomon Airlines AOC

30/04/2020

**FAOC****Expiry Date**

Foreign Air Transport Air Operator Certificate (Australia)	28 <sup>th</sup> February 2020
Air Operator Certificate (Vanuatu)	30 <sup>th</sup> October 2020
International Schedule Air Services Permit (Fiji)	9 <sup>th</sup> December 2020
Air Operator Certificate (Kiribati)	30 <sup>th</sup> October 2020

Solomon Airlines also operates the security screening of Cargo under the Part 109 Regulated Air Cargo Approval. The Renewal is done annually, and Solomon Airlines RACA will expire on the 31<sup>st</sup> of July 2020.

Solomon Airlines Part 145 Maintenance Organization that provide aircraft engineering services to the domestic fleet's approval will expire on the 3rd of March 2020. Other foreign maintenance organizations will be audited as required when their services are requested, and approvals processed with CAASI guidance.

## **6.2 CSS-02: IOSA REGISTRATION MAINTENANCE - 2020 AUDIT RENEWAL**

Solomon Airlines is an IOSA accredited airline and to maintain its registration as an IOSA certified Airline an IOSA renewal audit is conducted every two years.

To maintain the IOSA registration during the 2-year registration period Solomon Airlines shall:

- Continuously monitor the conformity with IOSA standards via internal audits
- Continuously monitor the IOSA website for the purpose of identifying Program-relevant Changes and publications.
- Inform IATA of significant changes to the Operators organisation
- Inform IATA of any change in the Operational profile or measures imposed by a regulatory authority.
- Solomon Airlines as part of its Annual Audit program (2020) will continue to conduct the audits of
- the IOSA disciplines.

Solomon Airlines IOSA Audit Renewal will be conducted in the last quarter 2020 and so the Airline will must:

### **1. Prepare for the Audit by**

- Ensuring applicable manual/revisions have been approved by the regulator
- All Operator Certificates are available

- Review of the ISM
- Plan for the IOSA Audit in advance to have enough time to close potential findings.

## **2. Select an Audit Organisation and**

- Sign an Audit agreement with the Audit Organisation (AO)
- Provide the AO with Operational Profile
- Review Fleet with the AO
- Submit AOC and OPS spec to the AO and evaluate and inform/discuss with the AO which aircraft and/or fleets could be out of the scope of IOSA.
- Provide the AO with Completed ISARP/internal documentation cross-reference list

## **3. During the Audit**

- Provide AO auditors with unhindered access to facilities and personnel
- Ensure the operational managers or applicable staff are available

## **4. Audit Follow up. After receiving the CAR from the AO:**

- Conduct a thorough Root Cause Analysis
- Identify the Root Cause of the problem
- Provide a detailed Planned Corrective Action Plan by entering it into the audit software, and
- before providing the CAP to the AO, ensure, the corrective actions address all aspect of the non-conformity for all required areas.
- Submit the CAP following the AO instructions and the timeframes described in IPM.

## **5. Audit Follow up. Before submitting the finalized CAP to the AO:**

- Ensure that the final action taken (FAT) addresses the root cause.
- Ensure the FAT follows the accepted Planned Corrective Action.
- Ensure the FAT totally addresses the reasons for which the non-conformity was raised.

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## 6. Audit Follow up when the Final Actions have taken place

- Inform the AO
- Provide details of the corrective actions as per the assessment of the ISARP:
  - **Not Documented:** Clear description of the changes that have been made and new/revised document reference/sub-reference and revision details.
  - **Not Implemented:** Clear description of the corrective actions that have taken place and detailed evidence of implementation

### 6.3 **CSS-03: SECURITY PART 108**

Solomon airlines must ensure a secure environment for its customers, employees and property. This is achieved by initiating, developing and coordinating appropriate policies, plans and actions for all areas within the company. This is aimed to achieve the protection of:

1. **Passengers and company staff from threats or acts of violence**
2. **Company aircraft from damage and acts of violence.**
3. **Company property and assets from misappropriation.**

Solomon Airlines will continue to conduct and apply normal security procedures throughout 2020 by all Solomon airlines staff for day to day operations. Major areas / processes to be covered are:

1. **Airport/AVSEC ID Cards**
2. **Access to Secure Areas**
3. **Security of Aircraft**
4. **Passenger and baggage Screening**
5. **Protection of Cargo, Mail and baggage**
6. **Carriage of firearms.**

Special attention will be given to address the items below in 2020.

**1. Improve ID card Management, ensure all staff must have valid ID cards.**

**2 Address unserviceable access control doors**

**3. Address inadequate CCTV backup capacity.**

Security will be monitored through various sources including Solomon Airlines staff reports of any unusual or suspicious behaviour, incidents or circumstances likely to jeopardize the security of company operations.

Security Training will be conducted according to the needs of each department. Each department will submit their needs through their training requirements for 2020.

As part of the management review process the security training program will be reviewed to ensure that:

- **The program content is updated to include the latest information relevant to the operational environment.**
- **It incorporates any relevant regulatory changes.**
- **It incorporates any operational changes that are relevant to the security operations**
- **Any recommendations for improvement are incorporated if appropriate.**

#### **6.4 CSS-04: SAFETY MANAGEMENT SYSTEM 2020**

The Management of Safety involves a systematic approach to manage safety within an organization, including the necessary organizational structures, accountabilities, policies and procedures. As a minimum, an SMS:

- **Identifies Safety Hazards.**
- **Ensures that remedial action necessary to maintain an acceptable level of safety is Implemented.**
- **Provides for continuous monitoring and regular assessment of the safety level achieved and**
- **Aims to make continuous improvement to the overall level of safety.**

**The following activities will be conducted to achieve the SMS goals:**

**Monthly Management Safety Group Meeting:**

A committee that is comprised of senior management officials, meets to address high level safety issues associated with the operators policies, resource allocation and organizational performance monitoring.

**Annual Management Review:**

As a minimum, an annual review must be conducted in the last Quarter of 2020. An annual review has a wide-ranging scope throughout the organizational structure and company Operations.

The Management Safety Group, under the authority of the Chief Executive Officer, carries out an annual review of the Company's management system, to ensure its continuing suitability, adequacy and effectiveness. The Annual Management Review assess opportunities for improving the system, as well as identifying changes that are required.

**Typical Annual Management Review Scope**

- |  |  |
|--|--|
| <ul style="list-style-type: none"> <li>a. Organisational Structure</li> <li>b. Reporting Lines</li> <li>c. Facilities</li> <li>d. Authorities</li> <li>e. Responsibilities</li> <li>f. Budget</li> <li>g. Systems</li> <li>h. Policies</li> <li>i. Processes</li> <li>j. Procedures</li> <li>k. Training and education</li> <li>l. All regulatory authority requirements, Findings and issues raised in the previous 12 months, (including CAR 119.73, CAR 145.65, CAR 100.3, CAR 109.69 (b) (6)</li> <li>m. All IOSA items (ORG,FLT,DSP,MNT,CAB,GRH,CGO and SEC)</li> </ul> | <ul style="list-style-type: none"> <li>n. Action items resulting from the monthly MSG meetings</li> <li>o. Results of Audits</li> <li>p. Findings from Operational inspections and investigations</li> <li>q. Operational feedbacks</li> <li>r. Incidents and near-miss reports</li> <li>s. Changes in regulatory policy or civil aviation legislation</li> <li>t. Process performance and Organisational conformance</li> <li>u. Status of corrective and preventative actions</li> <li>v. Result from implementation or rehearsal of the emergency response plan.</li> <li>w. Follow up actions from previous management reviews.</li> <li>x. Feedback and recommendation for management system improvement</li> <li>y. Regulatory violations</li> </ul> |
|--|--|

**Safety Assurance (through monthly Management Safety Group Meeting and Safety Action Group)**

Safety risk management requires feedback to management so that the safety management system and safety performance can be monitored, measured and therefore reviewed.

Safety assurance achieves this by providing confidence to the management that the risk management process and mitigation and controls in place are effective. This feedback then allows management review in the context of any changing environment to adjust the controls and risk Mitigation as appropriate.

**Safety promotions**

Safety promotion is an integral part of the SMS and will be achieved through:

- Promoting awareness of the Safety Management System.
- Communicating Safety Critical information to relevant departments
- Explaining why certain actions need to be taken.
- Communicating general Safety Information. Eg Newsletter, Posters and Notices, Safety Alerts.

**Training and Education**

Staff are kept informed about current safety issues through relevant training, Safety literature, participation in safety courses and seminars.

Safety Management System training will be delivered by staff that have been authorized by the Solomon Airline Human Resources Department or where appropriate accreditation must be held by the person delivering the training. External training providers will be used as required.

**SMS Tools**

The replacement of AIRS to SERA has been on the agenda but has not eventuated. A budget A\$7,000.00 has been set aside for the change to happen in 2020. To date the poor internet connections in the Solomon Islands has precluded the use of this software.



### **6.5 CSS-05: QUALITY ASSURANCE PROGRAM 2020**

The Quality Assurance Program provides for the auditing and evaluation of the company's management system, operations and maintenance and security functions, to ensure the company is

- 1. Complying with regulatory and internal requirements**
- 2. Satisfying stated operational needs.**
- 3. Conforming with the IOSA Standards**

The basic framework of the company's quality Assurance Program consists of:

- **The Annual audit Program**
- **Management Reviews (Note the Management Review also form part of the Safety Management System)**
- **Departmental Monitoring of Significant Issues.**

### **6.6 CSS-06: ANNUAL AUDIT PROGRAM 2020**

The company's audit Program is based on a 24-month schedule. The schedule is drawn up in advance to ensure that functions throughout the organization that are relevant to the safety and security of operations is audited at least once every 24 months.

Each year the audit program will be reviewed, and the plan for the next 12 months will be formulated to ensure that audit program 24-month schedule is covered.

In addition to the audit program spot checks and inspections will be carried out as necessary to assess operational safety and identify any undesirable conditions and areas that require Improvement.



## Annual Audit Plan 2020

Ref No:	Operational Area	2020											
		J	F	M	A	M	J	J	A	S	O	N	D
1	AOC Organization – ORG ~ Part 119/121/125												
2	Flight Operations												
3	1. International ~ 119/121 + FLT (eIOSA)												
4	2. Domestic ~ 119/125/121												
5	Cabin Crew Operations												
6	1. International ~ 119/121 + CAB (eIOSA)												
7	2. Domestic ~ 119/121												
8	Flight Dispatch – DSP ~ eIOSA												
9	Maintenance Control ~ Part 119/121 MNT ~ eIOSA												
10	GRH ~ Ground Operations eIOSA												
11	CGO ~ Cargo Operations + RACA Part 109												
12	SEC ~ Security Operations + Part 108												
13	Contracted Service Providers:												
14	• MEMKO												
15	• AMSA												
16	• Training Simulators												
17	• Training Facilities / Providers												
18	Contracted Service Providers @ International Ports												
19	• BNE												
20	• TRW												
21	• NAN												
22	• VLI												
23	• HIR												
23	IE Maintenance Control - Part 119/121												
24	IE Maintenance Organisation - Part 145 Base												
25	IE Maintenance Organisation - Part 145 Line												
26	Follow-up audits												
		J	F	M	A	M	J	J	A	S	O	N	D

Proposed by: .....

Manager Safety Systems:

Date: .....25 February.2019.....

Approved by: .....

Chief Executive Officer:

Date: .....28.February.2019.....





## Annual Audit Plan 2020

### Audit Modules – associated with each Operational Area

Ref: No.	Audit Modules	2020				Notes & Comments
		Q1	Q2	Q3	Q4	
1	<b>AOC Organization – ORG ~ Part 119/121/125</b>					
	1. Management & Control					
	2. Documentation & Records					
	3. Safety Management					
	4. Emergency Response					
2	<b>Flight Operations</b>					
3	<b>International ~ 119/121 + FLT (eIOSA)</b>					
	1. Management & Control					
	2. Training & Qualification					
	3. Line Operations					
	4. Operations Engineering Specifications					
4	<b>Domestic ~ 119/125/121</b>					
	1. Management & Control					
	2. Training & Qualification					
	3. Line Operations					
	4. Operations Engineering Specifications					
5	<b>Cabin Crew Operations</b>					
6	<b>International ~ 119/121 + CAB (eIOSA)</b>					
	1. Management & Control					
	2. Training & Qualification					
	3. Line Operations					
	4. Cabin Systems & Equipment					
7	<b>Domestic ~ 119/121</b>					
	1. Management & Control					
	2. Training & Qualification					
	3. Line Operations					
	4. Cabin Systems & Equipment					
8	<b>Flight Dispatch – DSP ~ eIOSA</b>					
	1. Management & Control					
	2. Training & Qualification					
	3. Line Operations					
	4. Operational Control requirements & Specifications					
9	<b>Maintenance Control ~ Part 119/121 MNT ~ eIOSA</b>					
	1. Management & Control					
	2. Maintenance Control					
	3. Technical Records					
	4. Maintenance Organizations					
10	<b>GRH ~ Ground Operations eIOSA</b>					
	1. Management & Control					
	2. Training & Qualification					
	3. Ground Handling Operations					
	4. Special Aircraft Ground Handling Operations					
11	<b>CGO ~ Cargo Operations + RACA Part 109</b>					
	1. Management & Control					
	2. Training & Qualification					
	3. Acceptance & Handling					
	4. RACA Specific items (Part 108 / Part 109)					
12	<b>SEC ~ Security Operations + Part 108</b>					
	1. Management & Control					
	2. Training & Qualification					
	3. Security Operations					
	4. Security Threat & Contingency Management					
	<b>Contracted Service Providers:</b>					
13	• MEMKO					
14	• Heston MRO Pty Ltd					
15	• Training Simulators					
16	• Training Facilities / Providers					
	<b>Contracted Service Providers @ International Ports</b>					
17	• <b>BNE – Brisbane</b>					
	o MNT – Heston MRO Pty Ltd					
	o GRH – Menzies					





### Annual Audit Plan 2020

	o CGO – Loaders & Packers					
	o Fuel Ops – Caltex					
18	• <b>TRW – Tarawa</b>					
	o GRH – Air Kiribati					
	o CGO – Air Kiribati					
	o Fuel Ops – KOIL					
19	• <b>NAN – Nadi</b>					
	o GRH – ATS					
	o CGO – ATS					
	o Fuel Ops – JUHI (Pacific Energy)					
20	• <b>VLI – Port Vila</b>					
	o GRH – NF					
	o CGO – NF					
	o Fuel Ops – Pacific Energy					
21	• <b>HIR – Honiara</b>					
	o GRH – IE					
	o CGO – IE					
	o Fuel Ops – South Pacific Oil					
22	<b>IE Maintenance Control – Part 119/121</b>					
	1. Management & Control					
	2. Maintenance Control					
	3. Technical Records					
	4. Maintenance Organizations					
23	<b>IE Maintenance Organisation – Part 145 Base</b>					
	1. Maintenance Organisation Manual					
	2. Personnel Requirements					
	3. Facility Requirements					
	4. Equipment, Tools & Materials					
	5. Maintenance Control Procedures					
	6. Authorization Procedures					
	7. Continued Compliance					
	8. Records					
	9. Occurrence Reporting					
	10. Continued Airworthiness					
	11. Aircraft Undergoing Maintenance					
	12. Products & Parts Suppliers					
	13. Hangar Equipment					
	14. Internal Quality Assurance					
24	<b>IE Maintenance Organisation – Part 145 Line</b>					
	1. Personnel Requirements – Authorisations					
	2. Equipment, Tools & Materials					
	3. Transit Certification Procedures					
	4. Records					
25	<b>Follow-up audits</b>					
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## **6.7 CSS-07: MANAGEMENT OF AUDIT FINDINGS**

The results of audit will be made available to relevant Departments it is the responsibility of Departments to:

- **Identify Root Causes**
- **Develop corrective actions as necessary to address the findings.**
- **Evaluate the effectiveness of the corrective actions**
- **Advise relevant department staff of the audit reports, findings, actions and outcomes.**

## **6.8 CSS-08: EMERGENCY RESPONSE PLAN 2020**

The purpose of an emergency response plan is to ensure that there is:

- **Orderly and efficient transition from normal to emergency operations**
- **Delegation of emergency authority**
- **Assignment of emergency responsibilities**
- **Authorization by Key personnel for actions contained in the plan**
- **Coordination of efforts to cope with the emergency; and**
- **Safe continuation of operations, or return to normal operations, as soon as possible.**

An effective emergency response provides an opportunity to learn, as well as to apply, Safety lessons aimed at minimizing damage or injury. It is planned to conduct an emergency response exercise in QTR 2 2020.

### **AVIEM Proposal**

Aviem or an alternate supplier will be contracted to provide a call centre during a disaster.

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## **6.9 CSS-09: EMERGENCY RESPONSE PLAN EXERCISE AND TRAINING**

### **ERP Training**

Solomon Airlines personnel must attend and satisfactorily complete relevant corporate emergency training. This shall comprise of an initial awareness course and thereafter two-yearly refresher courses.

### **Two courses to be provided for:**

- Management and senior positions holders' group and
- All other staff who may be required to provide support during an emergency event.

### **Emergency Response Plan Exercise**

It is an ICAO responsibility of each state regulator to have in place for each international airport to conduct annual airport exercises.

Solomon Airlines will participate where possible in any annual exercises conducted by the State or the Airport Authority.

Solomon Airlines will conduct an in-house response rehearsal during 2020.

## **6.10 CSS-10: HUMAN RESOURCE**

CSSA currently consist of the following positions

1. Manager Safety Systems
2. Security Manager
3. Safety and Compliance
4. Security Coordinator
5. Assistant Quality Assurance
6. Safety Services Officer.

Solomon Airlines will undergo its preparation for the IOSA renewal in 2020 and consultants may be required to assist.

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David Win is identified to provide ERP training and ERP exercises.

### **6.11 CSS-11: CSSA TRAINING 2020**

Refer to HR Training Plan

The engagement of external trainers, for initials and recurrent training.

1. **Martin Engler (Security)**
2. **Harriet Taukave (HF & SMS)**
3. **Glen Eastlake (AIRS, HF and CRM)**

### **6.12 CSS-12: DOCUMENTATION/ MANUAL PUBLICATION**

The primary purpose of document control is to ensure necessary, accurate and up to date documents are available to the people who need to use them, including employees of external Service providers.

#### **The company's document control process is based on:**

- A. The concept of a "Documented Owner" for each controlled document. The document owner is the person with the authority to issue a controlled document for operational use.
- B. The need for controlled documents to be identified, updated, distributed and retained.
- C. Centralised Management under a corporate system.

#### **The Document Control process applies to both:**

- A. Internal company documents and external (third-party) operational documents.
- B. Printed (hard copy) and electronically published (soft copy) documents.

The management process above is monitored by CSSA. Solomon Airlines engages Keith Orkney as a Technical writer to amend and update the Solomon Airlines Manual suite through a document change process. This is an ongoing process.

<b>6.13 CSS-13: STRATEGIC OBJECTIVE –FOR 2020</b>				
	<b>STRATEGIC OBJECTIVE</b>	<b>PROPOSED ACTION PLAN</b>	<b>PERFORMANCE TARGET</b>	<b>BUDGET</b>
<b>CSS-13.1</b>	Renewal of license /Certificates etc.	Ensure all Licenses/ Certificates /Approvals are reviewed prior to expiry dates	As per plan	<b>N/A</b>
<b>CSS-13.2</b>	2020 IOSA Audit	Ensure all is in readiness for QTR 4. IOSA Audit	As per plan	<b>See corporate (est. SBD\$1.6 Million)</b>
<b>CSS-13.3</b>	Provide a safe and secure environment	Ensure all procedures are completed with	As per plan	<b>N/A</b>
<b>CSS-13.4</b>	Full compliance of safety management system	Conduct monthly SMG Meetings	Conducted last Wednesday of each month	<b>N/A</b>
<b>CSS-13.5</b>	All Facets of the 2020 Audit program are carried out and findings addressed	Meet all planned Audit dates. Ensure findings addressed in a timely manner	As per plan	<b>N/A</b>
<b>CSS-13.6</b>	Ensure an emergency Response Plan is Prepared and agrees to by EXCO,	As, per Business Plan	By end QTR 2. 2020	<b>N/A</b>



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	Training is carried out and an Emergency Response Exercise is carried out.			
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## 7 GROUND OPERATIONS

Ground Operations is responsible for everything that happens with the aircraft whilst on the ground. This includes passenger check-in and boarding, baggage acceptance and sorting, the loading and unloading of baggage and cargo on the aircraft, receipt and dispatch of the aircraft, catering, cleaning, refuelling, toilet and water servicing, and much more. Ground Operations covers not only Solomon Airlines domestic and international flights, but also all other carriers that operate through the Solomon Islands. These include Air Niugini, Virgin Australia, Fiji Airways, Nauru Airlines, and any adhoc or itinerant flights that come through the Solomon Islands.

### 7.1 GOP-01: GROUND HANDLING

Ground Handling can be an extremely good profit centre for the company, but it relies very heavily on Ground Servicing Equipment (GSE) and staff. The biggest challenge currently faced is the age and condition of our existing GSE. Other challenges include staffing issues, and the condition of the facilities.

#### 7.1.1 GSE

The following actions have been put in place moving forward to improve the condition of the GSE. Firstly, a budget has been formulated to replace some equipment. This project continues from that commenced Q3 2019, with the purchase of two second-hand belt loaders from Australia at the cost of \$23,000 AUD each. The rest of the equipment is listed in the table below.

A significant example of issues we face with the equipment is the handling of wheelchair-bound passengers. We have a Disabled Person Lifter (DPL) which was originally provided by Pacific Blue, then purchased by us when they shut down. This unit works well on the Boeing 737's but does not reach the higher doorway of the Airbus A320 that we operate. As a result, we have to use the DPL to lift the passenger into the catering truck, and then wheel them through the catering truck and onto the aircraft that way. There have been numerous occasions when we have had to carry passengers up and down the stairs due to the catering truck being broken. We also do not have any kind of DPL in Munda.

The most immediate step that we have taken is to hire a Mechanical Trainer. This is being done through New Zealand's Volunteer Services Abroad program, at minimal cost to the company. Through VSA, we have a retired mechanic who works with our two GSE mechanics, training, motivating, and assisting them with the servicing, repairing, and maintenance of the equipment. He is also in the process of assisting them to develop a robust preventative maintenance program which is designed to improve the reliability of the equipment. For too long, the equipment has only been looked at when it was broken. We are trying to avoid that by pre-planning and staying ahead of the maintenance requirements. This volunteer has a 2-year contract with Solomon Airlines.

### 7.1.2 STAFF.

Staff training and attitude is a huge part of ground handling. Some of the areas our staff need to be trained in include recognising Dangerous Goods, Customer Service, Aircraft weight and Balance, Load Control, Safety, Security, Reservations systems, Ticketing, Sales, Check-in systems, Airport Driving, GSE use, Baggage Handling, and many more. Because we handle other airlines, our staffs have to not only do our own internal training, but they have to do the training required by the airlines that we handle. This can sometimes be confusing, as different airlines use different reservations or check-in systems (Amadeus for Solomon Airlines and Fiji, Sabre for Air Niugini and Virgin, Zap ways for Nauru Airlines), and they also have different procedures. One simple example of this from the ramp, Virgin Australia require the nose-wheel and starboard main wheels to be chocked, Fiji Airways require one set of wheels to be chocked, but don't specify which, Solomon Airlines, Air Niugini, and Nauru Airlines require the nose wheel to be chocked. Another major difference that we deal with is aircraft types. On any given week, we will handle Airbus A320, Boeing 737-300, -700, and -800, Fokker F70 and F100. Each aircraft requires different equipment (stair heights), procedures, and training.

A big improvement that is currently being undertaken is with the Check-in systems training. Through the Amadeus project team, a lot of attention is being put on using some of the more powerful features of the system that we previously haven't used. This is giving the staff a lot more confidence in the system, and the ability to manage issues without having to go to the supervisors or Brisbane office whenever there is a minor issue.

### 7.1.3 FACILITIES

Our operating environment is dictated by the Ministry of Communication and Aviation, who look after all the airports and facilities in the Solomon Islands. Unfortunately, the travelling public do not realise this, so the airline gets the blame for things like the International Check-in area being extremely hot, due to none of the fans working, or no toilet paper and detergent in the toilets. These are just minor things that could easily and cheaply be fixed, but no-one at MCA seems to have the motivation to do it. Other simple things like general tidying of the counters, painting, and such like, we as the airline have offered to do ourselves, but MCA have rejected our offer, as it is their responsibility, however, then it never gets done.

The terminals are one thing, and they are easily fixed. However, the greater issue is the condition of the domestic runways. Due to lack of maintenance, we have shut down numerous airports, and continue to do so on a regular basis. One problem is that MCA have issued the maintenance contracts for some airports in the provinces to people who live in Honiara. The grass doesn't get cut because the contractor isn't there to do the work. We stop flying because the grass is too long, rendering it is unsafe. The net result of that is that the contractor cannot fly back there to fix what should never have been a problem in the first place.

Other issues are poor design (lack of drainage) and potholes due to lack of maintenance. The wear and tear on the aircraft due to potholes is excessive, which increases our maintenance costs and aircraft downtime. We also cancel a lot more flights than we should have to due to poor drainage. Some runways need less than 5mm of rain to render them unusable.

## **7.2 GOP-02: CATERING**

The Solomon Airlines Catering department operate out of a building that has not been maintained in approximately 15 years. It was once a world class facility, with 4 x walk-in fridges and 2 x walk-in freezers, stoves, ovens, dishwashers, and icemakers. None of this equipment works, and the cost to rehabilitate it is prohibitive. As a result, all of our catering is sourced from professional airline catering companies in Brisbane, Nadi, or a local hotel here in Honiara.

The high-lift catering truck that delivers catering to the aircraft is in dire need of replacement. It breaks down regularly, meaning that all the heavy catering carts have to be carried by hand up and down the stairs. This is not only an OH&S issue for the staff, but it also takes time, causing delays to our scheduled flights.

The catering department also handle the aircraft interior cleaning. We would like to furnish them with better equipment and training to enable them to do a better job of keeping the aircraft clean. It is well known that first impressions last, and it is important to project a good image by having our aircraft clean and presentable.

## **7.3 GOP-03: OPERATIONS CONTROL CENTRE**

The Operations Control Centre (OCC) project was started in 2017 and has been running operationally since late 2018. It is staffed by a group of highly qualified and experienced individuals. The main function of the OCC is to collate and disseminate data. By having the OCC as a central point for the flow of information, the decision makers in the OCC are in the best possible position to make operational decisions that will be in the best interests of the company and our passengers. Making smarter decisions based on having all the information on hand saves the company a significant amount of money through minimised disruptions and quicker recovery.

The OCC also tracks the aircraft in flight, so management know where the aircraft are at all times. This is an important tool for safety, and also for monitoring of flights to be ahead of things if there are turn backs or diversions.

The OCC isn't running as efficiently as it should be due to some limitations with the software program that we are using, and also the lack of an effective radio communications system. We have budgeted to install a new comms system to sit on each desk which will enable to operator to monitor multiple channels. This will enable them to talk to the aircraft, refuellers, ground handlers, and transport vehicles.

The issues with the software are being worked through with the provider.

## 7.4 GOP-04: CARGO

Solomon Airlines Cargo is a Registered Air Cargo Agent (RACA) Organisation, certified by CAASI under Part 109 of the Civil Aviation Rules. The Cargo department handles cargo inbound and outbound, for both domestic and international.

In YTD 2019 (Jan to Oct), Solomon Airlines Cargo has handled 220,746kg's of revenue cargo on all domestic routes. In the same period, Solomon Airlines Cargo has handled 344,363kg's of revenue cargo on all international routes. The majority of this (nearly 300 tons) is on the Brisbane to Honiara route.

Solomon Airlines Cargo not only provides a solid revenue stream for the company, but also an essential service for the Solomon Islands, delivering time-critical and perishable goods. During the medical crisis earlier in 2019, multiple tonnes of medicine and other pharmaceutical supplies from Brisbane and Nadi to help re-stock the National stores. Other urgent cargo carried has included 9 tons of chain that was required for the undersea cable project (this was extremely urgent as the Cable-laying ship couldn't continue work until it received the chain), and many tons of equipment for the salvage and clean-up of the bulk carrier that ran aground in Rennell. A consignment of 21 tons of perishable food was flown in to provision the HMAS Adelaide.

Solomon Airlines Cargo also handles the cargo for Virgin Australia, Fiji Airways, and Nauru Airlines (including their dedicated freighter aircraft).

## 7.5 GOP 6.5: STRATEGIC OBJECTIVES FOR 2020 - 2021

Key Strategic Outcome	Proposed Action Plan	Performance Target	Budget
Replace Pallet Loader	Source a suitable used JCPL	Q2 2020	AUD \$200,000
Replace Catering Truck	Source a suitable used Catering Truck	Q3 2020	AUD \$120,000
Replace Baggage Tugs	Source 2 suitable new / used baggage tugs	Q1 2020, Q3 2020	AUD \$40,000 each
Acquire 2 Passenger Aid Units	Source two appropriate new / used PAU's for HIR and MUA	Q4 2020	AUD \$30,000 each
Acquire Communications Equipment for OCC	Source appropriate comms equipment for the OCC	Q1 2020	AUD \$20,000
Upgrade Airport Facilities	Continue working with MCA trying to get facilities improved	Q1 2020	AUD \$12,000

## 8 FLIGHT OPERATIONS/ INTERNATIONAL

### 8.1 FOI-01: MANAGER FLIGHT OPERATIONS SUMMARY

The main aim for 2020 is to focus on the MSG becoming a proactive team of safety conscious managers and managing AIRS in an expert and timely manner thereby achieving a SMS worthy of our operation. The airline is acquiring a later model A320 and it should enable the company to expand its horizons. Being mindful of career paths I intend to accept two qualified candidates from the domestic pilot ranks To move onto the A320 as first officers. This will be a 12-month project starting in January 2020.

#### 8.1.1 FOI-01.2: OBJECTIVES

1. Adopt of the new rostering system NGen for all pilots and cabin crew. Trial this in December 2019 to have the new crewing system operational for the entire airline by January 2020. NGen will have a profound effect on the way the airline rosters its crew. Crew roster stress can be anticipated during the implementation of NGen as the system tracks flight and duty hours for all flight and cabin crew.
2. To employ one direct entry A320 Captain by January 2020

#### 8.1.2 FOI-02.1: FINANCIAL MANAGEMENT

The MFO financial management is limited to training costs. The simulator training expenses are relatively fixed costs as these are regulatory requirements that must be met. The recent decision to switch providers from Air New Zealand Training simulator in Auckland New Zealand to the Ansett Training Facility in Melbourne Australia will result in a considerable cost saving. Other areas for savings include fuel use.

#### 8.1.3 FOI-02.2: ACQUISITION SUMMARY

The lease of a newer A320 to replace the current 27-year-old aircraft H4-BUS should be beneficial in a number of fronts The newer aircraft carries most of the modern equipment required to future proofing the regulatory compliance requirements in this new technology age. This newer aircraft allows for a greater area of operation with alternate airports up to 120 minutes from the flight path. This increase in operational range provides new market opportunities not available to the airline before.

#### 8.1.4 FOI-03.1: CREW ROSTERING SOFTWARE ACQUISITION

This new CREW ROSTERING SYSTEM CALLED NGEN BY RUSADA is an exciting acquisition. It will deliver rosters tailored to individuals and not the

current master copies that are distributed to all crew. All the flight time limitations and statutory checks and operational requirements will be in the system's database and will produce compliant rosters at the push of a button. Over the next 6 months this system will be implemented for all pilots and cabin crew.

#### 8.1.5 FOI-03.3: NETWORK STRATEGY AND IMPLEMENTATION

Solomon's has a number of opportunities to consider. With 120 mins ETOPS, the new A320 has a greater area of operation 812nm rather than the current 506nm restriction. This extra distance gives us opportunities to extend our reach to explore new destinations to service. The lower fuel burn provides an opportunity to carry extra cargo.




## 8.1.6 FOI-04: APPENDIX

**FOI-04.1: INTERNATIONAL PILOT MATRIX OF EXPERIENCE AS AT SEPTEMBER 2019**

PILOTS					
POSITION	NAME	TOTAL HOURS	COMMAND HOURS	CO PILOT HOURS	JET HOURS
Manager Flight Operations	Capt. Stephen De Maria	21151	17055	3768	15790
Captain	Andrew Brooks	21249	17325	2240	9313
Manger Training and Checking	Capt. Paul Robinson	13800	6337	1370	10937
Flight Instructor	Capt. Claudia Walding	6511	3122	189	3001
Technical Pilot	Capt. Kelvin McDonald	16355	11118	4952	12852
Deputy Manager Flight Operations	Mark Purdie	21101	13808	7023	16056
Safety Officer	F/O Michael Bentley	5920	2550	3430	960
First Officer	Glen Solly	15550	8500	6778	1990

## 8.1.7 FOI-04.3: INTRODUCTION OF REPLACEMENT A320

<div>  <b>• MILESTONE PLAN FOR INTRODUCTION OF MSN 2445</b> </div>								
	November 2019	December 2019	January 2020	February 2020	March 2020			
SAG meeting to discuss MSN 2445 Specifications	X							
Developing strategies to introduce the aircraft into service		X						
Training Meeting to discuss operation training for pilots and cabin crew		X						
SAG meeting to discuss Operational threats for new aircraft			X					
Pilot Training for differences from MSN 302 & 2445			X					
Training Cabin Crew differences between MSN 302 & 2445			X					
Aircraft ownership takeover			X					
Aircraft entered into line operations				X				
Ramp Inspection (Flight Ops) of MSN on first day of line ops.				X				

## 8.1.8 FOI-04.4: TRAINING PLAN FOR 2020

	January	February	March	April	May	June	July	August	September	October	November	December
CYCLIC 9 Recurrent DHC8 & A320			X	X								
CYCLIC 10 Recurrent DHC8 & A320										X	X	
Selection of two of DHC6 (team 1) and two DHC8 (team 2) candidates	X											
Multi crew training for DHC6 team 1		X										
Endorsement training DHC6 team 1		X										
Endorsement training DHC8 team 2		X										
Line training team 1 DHC 6 & team two DHC8			X	X								
Check to line teams 1 & 2					X							
Selection of two A320 candidates (team 3)	X											
EP's All fleets			X	X								
Line Orientation Exposure team 3		X										
A320 Endorsement Training for team 3			X	X	X	X						
A320 EP training team 3							X					
HF & CRM Training All crew all fleets									X	X		

	January	February	March	April	May	June	July	August	September	October	November	December
A320 team 3 Line Orientation							X					
A320 team 3 Line Training								X	X	X	X	
A320 team 3 Sim Progress Check									X			
A320 team 3 Cyclic 10 sim assessment											X	
<b>A320 TEAM 3 CHECK TO LINE</b>												X

## 8.1.9 FOI-04.5: IOSA AUDIT PREPARATION

	Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.		
Meeting to Discuss options on how to proceed	X													
Audit Team Leader employed	X													
Audit assistant employed	X													
ISM 13 Assessment of state of compliance and implementation		X												
CSSA Staff increase to cope with audit requirements		X												
Companywide ISM 13 compliance audit			X					X						
Audit findings and strategy plan			X											

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## 9 FLIGHT OPERATIONS/ DOMESTIC

### 9.1 DFO-01: FLIGHT ADMINISTRATION MANUAL (FAM)

The FAM will be reviewed and updated in accordance with manual amendment policies and procedures as per exposition. The next review is due on 31st March 2020.

### 9.2 DFO-02: STAFFING

#### DASH 8

**CAPTAINS (FULL TIME) – 3**

**FIRST OFFICERS (FULL TIME) - 3**

**CAPTAINS (FLY IN / FLY OUT) - 3**

**TOTAL: 9**

#### TWIN OTTER

**CAPTAINS (FULL TIME) - 6**

**FIRST OFFICERS (FULL TIME) - 10**

**CAPTAINS (FLY IN / FLY OUT) - 4**

**TOTAL: 20**

A total of 29 pilots have been engaged to operate our domestic fleet and as such is sufficient to fill our current requirements. We will however be looking to engaging an additional three (3) Solomon Islander trainee pilots in 2020.

Please see the table below which covers in detail renewal dates for medicals, base and line checks throughout 2020:

**DOMESTIC PILOTS STATUS UPDATED**

PILOTS	LIC TYPE	LIC NO	LIC EXPIRY DATE	MEDICAL EXPIRY DATE	C.I.R	NXT DHC8 B/CHECK	NXT DHC6 B/CHECK	NXT DHC8 L/CHECK	NXT DHC6 L/CHECK	TOTAL FLYING HOURS	TOTAL HRS on TYPE
D.Uale	ATPL	A140	Perpetual	01.09.20	30.06.20	31.12.19	N/A	12.03.20	N/A	10,441	5,000
J.Yaxley	ATPL	A138	Perpetual	25.10.19	10.05.20	10.12.19	N/A	02.10.20	N/A	10,827	4,314
I.Namakin	ATPL	A221	Perpetual	09.04.20	04.10.20	04.04.20	N/A	24.10.20	N/A	11,000	TBA
Full											
G.Posala	ATPL	A054	Perpetual	11.09.20	18.06.20	16.12.19	N/A	25.09.20	N/A	18,594	1,400
T.Skelton	ATPL	A199	Perpetual	20.09.20	15.05.20	20.12.19	N/A	24.09.20	N/A	24,996	8,300
R.Moore	ATPL	A234	Perpetual	07.01.20	13.05.20	13.11.19	N/A	04.02.20	N/A	8,667	3,700
C. Vonseu	CPL	C026	Perpetual	22.01.20	30.06.20	31.12.19	N/A	06.12.19	N/A	19,769	1,600
L.Tito	ATPL	A155	Perpetual	26.01.20	10.05.20	10.12.19	N/A	10.03.20	N/A	7,414	193
J.Tumuri	ATPL	A169	Perpetual	26.11.19	15.05.20	18.12.19	N/A	11.03.20	N/A	7,353	363
D. Leong	ATPL	A186	Perpetual	16.05.20	22.04.20	N/A	22.10.19	N/A	16.10.19	4,880	2,264
A.Takola	ATPL	A187	Perpetual	08.04.20	14.10.19	N/A	15.10.19	N/A	13.12.19	5,060	4,960
A.Toito'ona	ATPL	A196	Perpetual	11.07.20	07.07.20	N/A	07.01.20	N/A	02.01.20	3,733	3,476
J.Osi	ATPL	A193	Perpetual	27.02.20	12.07.20	N/A	12.01.20	N/A	11.01.20	3,870	3,708
J.Vakau	ATPL	A205	Perpetual	23.01.20	02.11.19	N/A	04.11.19	N/A	10.12.19	3,458	3,278
S. Aumanu	CPL	C157	Perpetual	13.06.20	27.04.20	N/A	27.10.19	N/A	16.05.20	9,607	7,507
R.Turanga	CPL	C183	Perpetual	26.04.20	27.04.20	N/A	27.10.19	N/A	27.04.20	5,453	5,353
W.Watts	ATPL	A208	Perpetual	10.03.20	07.10.20	N/A	07.04.20	N/A	28.02.20	21,764	12,500
R.McIelllan	ATPL	A226	Perpetual	05.03.20	21.03.20	N/A	19.03.20	N/A	01.04.20	10,262	4,707
W. Rutledge	ATPL	A233	Perpetual	17.09.20	08.07.20	N/A	08.01.20	N/A	27.08.20	23,108	645
J. Smith	ATPL	A235	Perpetual	24.01.20	18.08.20	N/A	18.02.20	N/A	14.02.20	12,458	7,458
K.Nalo	CPL	C206	Perpetual	23.01.20	19.12.19	N/A	TBA	N/A	TBA	3,517	3,352
P.Avosa	CPL (Frozen ATPL)	C212	Perpetual	19.09.20	17.01.20	N/A	04.02.20	N/A	10.03.20	2,410	2,223
I.Maike	CPL (Frozen ATPL)	C213	Perpetual	19.09.20	05.11.19	N/A	07.11.19	N/A	03.05.20	2,377	2,204
M.Orisi	CPL	C224	Perpetual	16.09.20	13.09.20	N/A	13.03.20	N/A	23.12.19	1,201	1,101
P.Tegavota	CPL (Frozen ATPL)	C228	Perpetual	28.08.20	02.08.20	N/A	02.02.20	N/A	26.07.20	1,205	1,105
J.Fono'ota	CPL (Frozen ATPL)	C203	Perpetual	27.08.20	18.07.20	N/A	18.01.20	N/A	01.09.20	1,263	1,163
S.Agiomea	CPL (Frozen ATPL)	C229	Perpetual	28.08.20	14.09.20	N/A	14.03.20	N/A	03.09.20	1,121	1,021
R.Ijini	CPL (Frozen ATPL)	C240	Perpetual	13.05.20	22.06.20	N/A	22.12.19	N/A	23.07.20	391	324
G.Siwainao	CPL (Frozen ATPL)	C239	Perpetual	14.05.20	27.08.20	N/A	27.02.20	N/A	25.08.20	403	303
P.Ofu	CPL (Frozen ATPL)	C225	Perpetual	08.05.20	23.01.20	N/A	23.07.20	N/A	09.09.20	306	206



## PILOTS UPDATED RECORDS

Pilots	Emergency Procedure Due	CRM due	Wet Drills Due	Train the Trainer Due	DG Due	Night Currency	Security Due
D. Uale	28.09.20	29.10.20	30.08.20	31.10.20	28.04.21	N/A	08.03.21
J. Yaxley	01.10.20	30.10.20	24.05.20	31.10.20	02.08.21	N/A	08.03.21
I. Namakin	17.02.20	TBA	TBA	N/A	31.01.21	N/A	02.07.21
G. Posala	21.03.20	30.10.20	30.08.20	31.10.20	20.09.21	N/A	06.05.21
T. Skelton	21.09.20	22.09.21	TBA	06.09.21	31.01.20	N/A	26.09.21
R. Moore	17.02.20	16.02.21	TBA	N/A	17.02.20	N/A	06.05.21
C. Vonseu	21.03.20	29.10.20	23.05.20	N/A	20.09.21	N/A	08.03.21
L. Tito	17.02.20	29.10.20	24.05.20	N/A	20.04.21	N/A	12.11.20
J. Tumuri	17.02.20	29.10.20	24.05.20	N/A	23.01.21	N/A	21.02.20
D. Leong	04.10.20	30.10.20	30.08.20	N/A	23.04.21	N/A	06.05.21
A. Takola	13.12.19	30.10.20	23.05.20	26.07.21	13.04.21	N/A	17.02.20
A. Toito'ona	23.11.19	31.10.20	30.08.20	N/A	31.07.20	N/A	17.02.20
J. Osi	11.01.20	29.10.20	23.05.20	N/A	15.06.20	N/A	08.03.21
J. Vakau	04.10.20	31.10.20	24.05.20	N/A	20.02.20	N/A	12.11.20
S. Aumanu	16.05.20	30.10.20	13.05.21	30.10.20	25.04.21	05.12.19	06.05.21
R. Turanga	14.05.20	29.10.20	13.05.21	N/A	25.04.21	18.11.19	06.05.21
W. Watts	07.04.20	31.10.20	30.08.20	N/A	28.02.20	N/A	08.03.21
R. Mclellan	20.03.20	30.10.20	30.08.20	31.10.20	05.03.21	N/A	12.11.20
W. Rutledge	12.10.19	30.10.20	13.05.21	N/A	14.11.20	N/A	12.11.20
J. Smith	14.02.20	16.02.21	13.05.21	N/A	10.05.21	N/A	06.05.21
K. Nalo	20.03.20	16.02.21	24.05.20	N/A	22.02.20	20.05.19	08.03.21
P. Avosa	20.03.20	30.10.20	24.05.20	N/A	25.09.20	05.11.19	12.11.20
I. Maike	07.04.20	30.10.20	24.05.20	N/A	12.10.20	23.10.19	12.11.20
M. Orisi	23.12.19	22.09.21	23.05.20	N/A	15.01.21	18.12.19	17.02.20
P. Tegavota	07.04.20	31.10.20	23.05.20	N/A	07.03.20	02.01.20	17.02.20
J. Fono'ota	08.04.20	31.10.20	24.05.20	N/A	07.03.20	19.10.19	17.02.20
S. Agiomea	08.04.20	29.10.20	23.05.20	N/A	05.04.20	28.12.19	12.11.20
R. Ijini	14.05.20	07.08.21	13.05.21	N/A	23.05.21	29.12.19	06.05.21
G. Siwainao	14.05.20	07.08.21	13.05.21	N/A	23.05.21	26.12.19	06.05.21
P. Ofu	14.05.20	07.08.21	13.05.21	N/A	03.06.21	TBA	06.05.21



### 9.3 DFO-03: PROFICIENCY FLIGHT CHECKS

#### 9.3.1 DHC- SIMULATOR PLANNING

Simulator training for the Dash 8 flight crew is required to be carried out six (6) monthly intervals. Two crew are required to undergo intensive two X four hour simulator sessions programmed over two days. A total of 10 Dash 8 simulator slots for 2020 have been booked for May and November.

#### **Estimated Cost**

**Travel-** BNE/ MELB/BNE x28 PAX @ AUD \$400= \$11,200

**DTA-** 28 x 5 NIGHTS x AUD \$90= \$12,600

**ACCOM-** MELB 28 x 2 nights x AUD \$150 P/N= \$8,400  
BNE 20 x 1 night x AUD \$150 P/N= \$3,000

**SIM CHARGE-** 20 DAYS x 4 HRS x AUD \$1,000 P/CHECK= AUD\$ 80,000

**EST COST PER ANNUM AUD \$115,200.00 (SB \$670,000.00)**

SIM training will focus on Line Orientation Flight Training on each of the first day of slotted sessions followed by base training on day 2.

### 9.3.2 CHECK & TRAINING / INSTRUCTOR PILOTS

Minimum numbers of C+ T Captains and instructor captains required to cover all contingencies is as follows:

Check + Training Captains	<u><b>Twin Otter</b></u>	<u><b>Dash 8</b></u>
	3*	2*
Instructors	2	2
*Current expatriate C+T pilots	2 <b>Twin otter</b>	2 <b>Dash 8</b>

There is a need to maintain the minimum levels and this plan provides for identifying and training candidates from within Solomon Islander Pilots.

### 9.4 DFO-04: AIR TRANSPORT PILOTS LICENCE

Under the Civil Aviation Act of 2008, it is mandatory for all type rated captains to hold an Airline Transport Pilot Licence (ATPL) in order to act as the pilot in command of a public transport flight. The final exemption issued by CAASI allowing commercial Pilot License Holders (CPL) to fly in command of an Aircraft expired on 31st October 2019. In March 2018, Solomon Airlines Ltd introduced an ATPL study assistance scheme open to those pilots seeking to acquire the higher category license necessary not only to command an aircraft but essential if aspiring to upgrade to the Dash 8 and then proceeding on to first officer on the Airbus A320.

The results of the scheme have been most encouraging with only five of the 19 Solomon Islander pilots still studying for their ATPL. It is worthwhile noting persons wishing to join the domestic flight operations team will only be considered if they hold a current ATPL.

To gain an ATPL a Pilot must undertake a number of night hours flying. Part of the NZ Government's project to upgrade the Munda airport has been to install lighting which will prove of immense benefit both to improving the Airline's efficiency through far more effective scheduling and aircraft utilization resulting in cost savings. Pilots were forced to receive night flying training overseas in the past at great expense. It is expected that landowner issues allowing for the final installation of obstruction lights at Munda will resolved in early 2020.

### 9.5 DFO-05: AIRCRAFT FUEL

In order to ensure trouble free operations Solomon Airlines is required to have fuel stored at the following locations. This is a costly exercise as shown in the table below.

AIRPORT	INCIDENTIAL \$ EXPENSE PER DRUM	DRUMS REQUIRED PA.	ADDITIONAL TOTAL EXPENSE
MUNDA	SBD \$380	800	SBD \$304,000.00
GIZO	SBD \$380	3600	SBD \$1,368,000.00
KIRA KIRA	SBD \$400	400	SBD \$160,000.00
SANTA CRUZ	SBD \$450	300	SBD \$135,000.00
LOM LOM	SBD \$500	150	SBD \$75,000.00
			<b>TOTAL: SBD \$2,042,000.00</b>

- Incidental expenses include, deposit on drum/ part refund of deposit, freight of drums to/ from destination.
- These figures highlight further added value with the introduction of the re- lifted Twin Otter (DHC-6X2 HG) (available through Ikhana featuring increased Gross takeoff weight and allowing for extra fuel carried together with extra passengers and cargo.
- Munda (See also)
- Once South Pacific Oil provide the fuel refilling facility at Munda further cost savings will be generated it is expected this will be in place by January 2020.

## 9.6 DFO-06: DOMESTIC FLIGHT OPERATIONS SCHEDULING

It is essential Solomon Airlines Ltd ensures:

- 100% pilot roster coverage on all scheduled domestic flights
- Flight schedules are based on frequency and yield whenever possible
- Development of community Service Obligations analysis.

This is in line with and contributes towards the Airline's On-Time Performance targets.

The plan provides for:

Ensuring that the pilot's roster adequately caters for the schedule. This can only be achieved by liaising with Operations Control Centre. Extra flights and charters are to be confirmed with crew availability. The Domestic Fleet Captain will be involved with new schedules to ensure all flight times and turn around times are correct and crew usage and duty hours are kept to appropriate levels. The rostering will be run through NGen.

### **9.7 DFO-07: LIGHTING OF MUNDA AIRSTRIP**

At time of preparations of Solomon Airline's Business plan for 2020-22, the three outstanding obstacle lights have yet to be installed due to landowner issues. This issue will be actively pursued as the benefits include:

- More effective scheduling particularly better connectivity with international operations
- Recovery from disrupted operations
- Ability to enable Domestic Pilots to meet the requirement of 100 hours night flying in order to complete their ATPL
- Munda becomes an alternate Airstrip for Domestic Operations during poor weather conditions.

### **9.8 DFO-08: COCKPIT RESOURCE MANAGEMENT (CRM)**

CRM is a vital factor in airlines mechanism of risk management of accidents and incidents. As the majority of these issues can directly be attributed to human error, it is important that relationships and skills in handling all types of situations and aircraft crew's knowledge and responsibilities are well understood and practiced. There is a worldwide emphasis of CRM training (initial and recurrent).

CRM training for all crew is due every year in October. CRM Training for new flight crew will be conducted as and when required.

## 9.9 DFO-09: CONDITION OF DOMESTIC AIRSTRIPS

The following details the state of domestic airstrips, reasons for frequent cancellations and main reason for significant growth in maintenance costs:

AIRSTRIP	CODE	STATUS
ARONA	RNA	<ul style="list-style-type: none"> <li>- Windsock needs replacing</li> <li>- Not fence</li> </ul>
ATOIFI	ATD	<ul style="list-style-type: none"> <li>- Long grass</li> <li>- Very wet place, even more so adjacent to the runway</li> <li>- Not fence</li> <li>- Windsock needs replacing</li> </ul>
AUKI	AKS	<ul style="list-style-type: none"> <li>- Not fully fenced</li> <li>- Few minor potholes &amp; vehicle track running across the runway.</li> </ul>
BALALLAE	BAS	<ul style="list-style-type: none"> <li>- North Eastern end surface gets soft and very wet after rain</li> <li>- Large wheel tracks left by the RAAF Spartan when was last there</li> <li>- Grass is long</li> <li>- No fence</li> <li>- Big trees either side</li> <li>- Nil windsock</li> </ul>
BELLONA	BNY	<ul style="list-style-type: none"> <li>- Tall trees on both approaches</li> <li>- No fence</li> <li>- Grass is frequently long</li> <li>- Nil windsock</li> </ul>
CHOISEUL BAY	CHY	<ul style="list-style-type: none"> <li>- Algae that grows on surface is very slippery after rain</li> <li>- Windsock needs to be replaced and relocated</li> </ul>
FERA	FRE	<ul style="list-style-type: none"> <li>- Very slippery when wet</li> <li>- Becomes water logged</li> <li>- No fence</li> <li>- Windsock may need replacing</li> </ul>

GIZO	GZO	-	Windsock on both end of runway need replacing
HONIARA	HIR	-	OK
KAGHAU	KGE	-	Algae on grass very slippery after rain
		-	Very soft sand adjacent to runway
		-	No fence
		-	Cattle sometimes on the runway
KIRAKIRA	IRA	-	Undulations in surface
		-	No fence
		-	Animals (dogs, pigs) often on the runway
		-	Grass can also get long
LOMLOM	LLM	-	Nil windsocks
		-	No fence
MANAOBA	MHM	-	OK
MARAU	RUS	-	Tall trees on approach to runway 05
		-	No windsock
MONO	MNY	-	No fence
		-	Nil windsocks
		-	Tall trees on both ends
		-	Surface full of Algae
MUNDA	MUA	-	OK
PARASI	PRS	-	Coconut trees before runway 12 threshold are very tall
		-	No fence
		-	Windsock needs replacing
RAMATA	RBV	-	No fence
		-	Can get slippery after rain
		-	Windsock needs replacing
RENNELL	RNL	-	Approaches on both ends have tall trees fairly close to threshold

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SANTA ANA	NNB	-	Windsock needs replacing
		-	No fence
		-	Dogs frequently on the strip
		-	Tall trees to approach runway 29
SANTA CRUZ	SCZ	-	No fence
		-	Surface uneven
		-	Both ends get soft after rain
		-	Parking area surface get water log and soft after rain
SEGHE	EGM	-	Windsocks need replacing
		-	No fence
		-	No fence
		-	Gets waterlogged and slippery after rain
SUAVANAO	VAO	-	Windsock may need replacing
		-	No fence
		-	Runway 22 threshold end gets very wet and waterlogged

## 10 CABIN SERVICES

### 10.1 CAB-01: DELIVERY OF HIGH STANDARDS OF CABIN SAFETY

The following cabin services safety Training is planned for 2020

- Safety Emergency Procedures [SEP] – February 2020
- Dangerous Goods Training - January 2020
- First Aid Training – February 2020
- Security Training – January 2020
- Dash 8 Safety and Emergency procedures recurrent – February, April, June, September 2020
- Human Factors/Safety Management Systems- February, August, September, October 2020
- Grooming and deportment – June 2020
- Business class/product enhancement – August 2020

### 10.2 CAB-02: TO PROVIDE THE HIGHEST QUALITY/STANDARDS OF CABIN SERVICE

- Review of cabin Manuals – on going work
- 6 monthly line checks - A320 – June , December 2020
- 6 monthly line checks – Dash 8 – June, December 2020
- J Class refresher course will be carried out.

### 10.3 CAB- 03: CABIN CREW FLIGHT STANDARDS TRAINING PROGRAM

- Train two assessors for dash 8 six monthly line checks

### 10.4 CAB-04: PRODUCTIVITY

To develop a highly productive, customer focused cabin crew aligned to company values and standards:

- Safety Action Group meetings conducted monthly.
- Software updated to ensure crew records meet all regulations and requirements under the Cassini program
- Team building program undertaken in March 2020
- Communication skills program – February 2020



### **10.5 CAB- 05: INCIDENTAL ACTION PLANS**

- Review and upgrade all documentation
- Review Cabin services manuals reviewed and implement changes
- A revision of crockery, cutlery and glassware will be carried out by Qtr. 1 2020 (see also Commercial )
- Review of Cabin Services crew uniform Qtr. 1 2020

### **10.6 CAB- 06: ADDITIONAL COMPLIMENT- CABIN SERVICES CREWING**

An additional nine (9) Cabin Services were recruited in 2019. Since that time three (3) have or will be engaged on other duties. A review of staff numbers will be carried out in February 2020.

## 11 AIRCRAFT MAINTENANCE

### 11.1 ENG-01: HANGAR IMPROVEMENT/FUTURE STRAGETY REQUIREMENTS

The existing hangar was modified in 2012 to enable day to day maintenance of our domestic fleet – Islanders, Twin Otters and a Dash 8. The plan requires management consider and make recommendations supported by feasibility studies, costings and drawings of either or both of the two options mentioned below

- ✓ Construction of Ground Service Equipment (GSE) storage and repair facility
- ✓ Two water tanks required to store rainwater for engine compressor washes.
- ✓ Wash bay constructed for washing aircraft parts. Wash bay to include a chemical bath for cleaning aircraft parts.
- ✓ New and improved DG storage required to be set up on the Eastern end of the hangar to replace the current storage located at the Western end of the hangar.
- ✓ Rain Water Tank at Western End of the hangar needs to be replaced.
- ✓ There is also a need for F100/F70 LAME and 737 classic and 737 NG LAME in Honiara. Currently Air Niugini has 8 transits a week and they would rather Solomon Airlines have a rated LAME based here so they can avoid sending their LAMEs as flying spanners (expensive exercise for them).TOLL, Our Airlines and Fiji Airways also fly in regularly. We will look at offering them LAME coverage in Honiara when the required engineers have the capability.

### 11.2 ENG-02: SCHEDULED MAINTENANCE – ON TIME PERFORMANCE

The target for on time release to line of flights following scheduled maintenance is 95%.

In order to maintenance this target or above, the Maintenance Section will further continue to fine tune aircraft maintenance scheduling and staff rosters. To this end it was necessary to engage a an additional LAME for the Dash 8.

### 11.3 ENG-03: MAINTENANCE – ORGANISATION CONTROL MANUALS

The plan requires all MAA personnel have a thorough understanding and compliance with CAASI Act of 2008 insofar as it is related to the maintenance function (namely 43, 119, 125, 135 and 145) and as contained within the provisions of the maintenance organisation control manual. Manual and procedures practised will be review and amended accordingly to ensure what is said in the manuals is practised

The training committee is to ensure all training requirements from induction through organisational controls, quality assurance etc are identified and audit/training undertaken as necessary.

Training has been carried out for all engineering personnel to better understand maintenance functions as per the CAASI Act of 2008. In addition, all engineering personnel have also been trained on Safety Management Systems (SMS).

All ongoing training requirements are monitored by Training Committee.

#### **11.4 ENG-04: PERSONNEL**

Current staffing is comprised of,

Aircraft Maintenance Manager	1
Foreman	1
Stores Officers	4
LAME – Avionics	2
AME – Avionics	2
LAME – Engine-Airframe (Dash 8 included & foreman excluded)	4
AME – Engine-Airframe	9
Apprentice	3

One Avionics LAME has acquired his Dash 8 rating and two Engine-Airframe LAME have acquired their dash 8 rating.

Progression from AME to LAME requires tradesmen to study in their own time for one or more licence subjects in either the Avionics or Engine-Airframe category. Examination fees are paid for by each individual and reimbursed by the company on successfully passing their exam/s

Selected AME's will be identified and encourages to study for LAME status, thereby targeting a coverage of three (3) LAME's per category and type i.e. for the A320, Dash 8 and Twin Otter. This will provide for adequate coverage on all aircraft in cases of illness and leave.

Training and upskilling is the main priority for 2020. A new B1 LAME is required on the Dash 8as well as another LAME on the Airbus. A new salary structure has been put in place to retain the experienced LAMEs as well as competent AMEs.

#### **Training Requirement for 2020-2021**

- Dash 8 classic B1 type rating training is required by year end 2020. Training will enable candidate to eventually progress to LAME status. Candidate has been earmarked (local Solomon Islander) and is being groomed for the next Dash 8 LAME.
  - ✓ **Air Niugini Training School** is option 1 for the type course
  - ✓ **Air New Zealand Training School** is option 2 and

- ✓ **Flight Safety Canada** is option 3. Course dates and costs to be provided.
- Airbus A320 Type course is also required for the first or second quarter of 2021.
- One B1 engineer and B2 engineer each will need to complete further training overseas to allow them to progress to LAME status. Local Candidates qualified (currently employed) to progress have been selected and looking forward to the training.
- 2 IA inspection courses required in CAA New Zealand. Urgent requirement for 2020.
- NDT inspection Training.
  - ✓ Option 1 to be done in Australia under Aviation NDT Services. Their current proposed date is first half of 2020.
  - ✓ Option 2 to be done in New Zealand under proposed NZ grant.
- B1 and B2 recurrent training for Twin Otters and Dash 8. Proposed To be done in NZ under planned NZ grant.
- Engine Ground Run (EGR) initial and recurrent trainings. Proposed to be done in NZ under planned NZ grant.
- Require training for three AMEs for PT6 training in Brisbane. This will allow them to acquire their Licences for the Twin Otter.

### **11.5 ENG-05: AIRCRAFT MAINTENANCE AND PARTS TRACKING**

In order to provide real time information on aircraft and component maintenance requirements, inventory control and flight-hours information for both aircraft and flight crew, the Airline has introduced Envision to replace Takeflite and CAMP. Staff require constant retraining and RUSADA has been engaged to provide ongoing training.

**11.6 ENG-09: STRATEGIC OBJECTIVES-2020-2022**

KEY STRATEGIC OUTCOME	PROPOSED ACTION PLAN	PERFORMANCE TARGET	BUDGET
ENG-01: Hangar improved	Ensure the hangar floor is repaired and painted	Q2 2020	SBD \$150,000
ENG-01.1: Retaining Wall	Improve drainage and build a retaining wall to manage flood waters	Q2 2020	SBD \$200,000
ENG-02: Complete Mandatory Training	Ensure all mandatory training is completed on time	Q4 2020	AUD \$50,000
ENG-02.1: Management Training	Ensure that the Manager/ Supervisors are given adequate management training	Q1 2020	AUD \$10,000
ENG-02.2: LAME Training	Ensure that AMEs are encouraged and supported to become LAMEs	Q4 2020	SBD \$80,000
ENG-02.3: Apprentices	Employ and train apprentices	Q4 2019	SBD \$ 50,000
ENG-02.4: Employ LAMEs	Employ and train enough engineers to maintain the aircraft efficiently	Q2 2021	SBD \$ 200,000
ENG-03: Business Improvements	Acquire software and other technology to improve the business	Q3 2020, Q3 2021	SBD \$ 10,000
ENG-03.1: Stores	Ensure that staff understand that there will be a zero tolerance to sloppy management of parts and tools	Q1	BAU

## 12 CONTINUING AIRWORTHINESS MANAGEMENT OPERATIONS (CAMO)

### 12.1 CAM-01: EXECUTIVE SUMMARY

#### 12.1.1 CAM-01.1: PURPOSE

The Continuing Airworthiness Management Organisation (or CAMO) of Solomon Airlines Ltd manages monitors and controls all maintenance and continuing airworthiness activities and requirements for domestic operations under the Civil Aviation Authority of Solomon Islands (CAASI) Rule Part 119.

#### 12.1.2 CAM-01.2: MANAGEMENT

The Department currently has four (5) permanent and one (1) Contract consultant staff members.

The staff in the Department includes.

- Continuing Airworthiness Managers (CAM) x 2 - A320 and Domestic
- Fleet Technical Engineer (FTE),
- Technical Records Administrator and,
- Maintenance Planner
- Data Entry Clerk

The A320 CAMO/FTM is contracted out to MEMKO, based in Melbourne, Victoria, Australia. The Continuing Airworthiness Manager-A320 works closely with MEMKO to ensure that all Continuing Airworthiness requirements under the CAASI regulations are complied with for the Airbus A320-211 aircraft, H4-BUS.

#### 12.1.3 CAM-01.3 SERVICES AND FUNCTION

All services and functions provided by the Continuing Airworthiness Management Organization include but are not limited to the following;

- Technical Records & Document Control
- Maintenance Planning and Scheduling
- Fleet Technical Management
- Continuing Airworthiness Requirements

All the above functions are also carried out by MEMKO and on behalf of the Solomon Airlines for the Airbus A320 H4- BUS. Additionally, MEMKO also carries out the Inventory and Stock Management for Solomon Airlines in association with Heston MRO, who are the contracted to conduct CAR Part 145 maintenance provider.

## **12.2 CAM-02: STRUCTURE, TRAINING AND STRATEGY**

### **12.2.1 CAM-02.1: DEPARTMENT STRUCTURE**

The MCA is the Head of the Department and is responsible to the Chief Executive Officer (CEO) under CAASI Rule Part 119 for all requirements for maintenance control and continuing airworthiness.

With the change to the one AOC, there is one senior person under CAR Part 119 for Maintenance. The senior person is the CEO. Reporting to the MCA are two Continuing Airworthiness Managers (CAM), one for the A320 and the other for the Domestic Operations.

The CAM-A320 works alongside the FTM Contractor MEMKO and is based in Melbourne. MEMKO is under contract to Solomon Airlines to perform all CAMO functions and activities under Rule Part 119.

The CAM-Domestic operates out from the operations base in Honiara is in charge of all CAMO activities for the domestic operations which presently covers the Dash 8 and the Twin Otter aircraft.

The CAMO unit in Honiara includes the Fleet Technical Engineer (FTE), the Technical Records Administrator (TRA) and the Maintenance Planner (MP), all of whom report directly to the CAM-Domestic. The FTE is responsible for all continuing airworthiness requirements under CAASI Rule Part 119 and the roles and responsibilities include fleet technical management, the Certificate of Airworthiness compliance and Aircraft Reliability. He also has an oversight into the technical records, document control and maintenance planning.

The TRA is responsible for all functions pertaining to technical records with duties and functions including the update of all aircraft flight and maintenance records. The MP is responsible for scheduling and control functions and activities relating to maintenance planning - both scheduled and unscheduled.

### 12.2.2 CAM-02.2: TRAINING AND DEVELOPMENT

Training and development is a huge and essential component of the work done in the Department. In order to fully comply with regulations and ensure competencies in the roles, all staff are expected to be trained, both initial and recurrent to ensure the roles and responsibilities are fully understood. The training is also for personal and human development, especially for local Solomon Islanders and it is the responsibility of the airline to ensure that this is a done on a continuous basis.

At the present time, the expatriate positions in the Department is that of the MCA and the two CAMs. However, a 5-year training program has been put into place whereby the current FTE is the understudy to the CAM and eventually the MCA. An annual review of the training program and the assessment of the performance of the MCO will be conducted to appraise and review performance.

Additional training/courses that will be required by all staff within the Department is provided in the table below:



**Table 1 – Proposed Training Schedule**

<b>Course/ Training</b>	<b>Applicability</b>	<b>Method</b>	<b>Source</b>	<b>Cost/Candidate</b>	<b>Proposed Date</b>
SMS	All staff	In-house	Solomon Airlines		Mar 2020
Human Factors	All staff	In-house	Solomon Airlines		Mar 2020
Dangerous Goods Awareness	All Staff	In-house	Solomon Airlines		Mar 2020
Microsoft Office Apps	All Staff	External	Datec SI	SB\$500 per applicant	Jun 2020
Airline Management	CAM-Dom	External		SB\$20,000 ++	TBC
Aviation Internal Auditor	CAM-Dom	External	IATA – Nadi Fiji	SBD\$1,550	TBC
Maintenance Programmes, Aircraft Reliability & Aircraft Leasing	FTE & MP x 4	Online	Outcomy	US\$1,200	Mar 2020
Weight & Balance	CAM-Dom & FTE	External	MEMKO or Fleet Aeronautics	AU\$1,500 ++	Jun 2020 & Jun 2021
Secondment Engagement	FTE & MP	Airline Overseas	Fiji Airways, Air Niugini, PNG Air, Skytrans	TBD	2020 (Open)
Effective Communication	All Staff	External	SINU - Ranadi	SBD\$800	TBC
Project management	CAM-Domestic, FTE & TRO	External	SINU – Ranadi	SBD\$1,800	TBC
Leadership Skills for Supervisors	CAM-Domestic, FTE & TRO	External	USP Lawson Tama	SBD\$1,250	TBC
Business English for Workplace Communication	All Staff	External	USP Lawson Tama	SBD\$1,250	TBC
Business Writing that Works	All Staff	External	USP Lawson Tama	SBD\$1,850	TBC

Leadership Skills for Supervisors	CAM-Domestic, FTE & TRO	External	USP Lawson Tama	SBD\$1,250	TBC
Management Course Training	CAM-Domestic, FTE & TRO	External	SINU – Ranadi	SBD\$1,800	TBC
Organisation culture	All Staff	External	Henderson, Honiara	SBD\$640	TBC
Responsibility	All Staff	External	Henderson, Honiara	SBD\$640	TBC
Commitment	All Staff	External	Henderson, Honiara	SBD\$640	TBC
Time management	All Staff	External	Henderson, Honiara	SBD\$640	TBC
Building Effective Team	CAM-Domestic, FTE & TRO	External	SBEC	SBD\$300	TBC
Initial and Re-current Envision Training	All Staff	External	Rusada	TBC	TBC

### 12.2.3 CAM-02.3: IMPROVEMENT AND STRATEGY

- Complete electronic scanning and archiving of all old maintenance and technical records.
- Review of Procedures Manual to comply with CAASI Rules and IOSA Requirements.
- Implementation of initial and re-current training for the new computer system (Envision) for all CAMO and maintenance provider staff
- Implement reliability engineering for all removed components and identify for improvement and monitoring in Envision.
- Implementation of a comprehensive central technical documentation register for all technical literature in Envision.

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### 12.3 CAM-03: BUDGET AND FINANCIALS

Most of the Department's expenses and costs are in the staff salaries and some relatively minor costs relating to equipment and furniture. In 2020 and beyond, costs and expenses will also include training, maintenance programs, contracts and agreements which the Department will hold for and on behalf of the Airline. There will also be ongoing costs as a result of the implement of Envision as the new Maintenance Software System.

#### 12.3.1 CAM-03.1: SALARY AND EXPENSES

The majority of the expenses for the Department will be the payment of salaries and the company contributions to the National Provident Fund (NPF). There has been some savings, albeit a small one, from the retirement of the former Maintenance Control Officer. Expenses and costs expected to be incurred will include;

- Training (Exposure/Attachment)
- Replacement computers, UPS and laptop and necessary software
- Furniture
- Telephone and Internet costs
- Stationery (Paper, Pens and other consumables)
- School fees (Contract Officers only)

#### 12.3.2 CAM-03.2: MAINTENNACE PROGRAMS AND SCHEDULES

A number of Maintenance program/ schedules/ checks will be planned for the Domestic aircraft. Additionally, There will be costs for the engine programs both under the PTB Contract and that of the PW120A engines in the Vector Contract.



## 12.3.3 CAM-03.2.1: DHC8-100 AIRCRAFT CHECKS

<b>Check Type and Period</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>
Dash 8-102 'L' Check (Every 50 Hours or 12 Days)	37	37	37
Dash 8-102 'A1' Check (Every 500 Hours or 6 Months)	3	3	3
Dash 8-102 'A2' Check (Every 1,000 Hours or 12 Months)	2	2	1
Dash 8-102 'A3' Check (Every 1,500 Hours or 18 Months)	1	1	1
Dash 8-102 'A4' Check (Every 2,000 Hours or 24 Months)	1	0	1
Dash 8-102 'A5' Check (Every 2,500 Hours or 30 Months)	0	1	0
Dash 8-102 'A6' Check (Every 3,000 Hours or 36 Months)	0	1	0
Dash 8-102 'A9' Check (Every 4,500 Hours or 54 Months)	0	0	1
Dash 8-102 '1C' Check (Every 5,000 Hours or 60 Months)	0	0	1
Dash 8-102 '2C' Check (Every 10,000 Hours or 120 Months)	0	0	0
Dash 8-102 '3C' Check (Every 15,000 Hours or 180 Months)	0	0	0
Dash 8-102 '4C' Check (Every 20,000 Hours or 180 Months)	0	0	0
Dash 8-102 '6C' Check (Every 30,000 Hours or 240 Months)	0	0	0

## CAM-03.2.2: DHC6-300 AIRCRAFT CHECKS

Check Type and Period	2020	2021	2022
DHC6-300 Twin Otter 'EMMA' Checks (Every 125 Hours)	20*	20*	20*
Fuselage Life Limit	0	0	0
Wings Life Limit	0	1	0
Landing Gear Overhaul	0	5	0
External & Interior Refurbishment + Corrosion & Paint work	0	0	0
Engine Overhaul	4	2	0

\*per aircraft. Have to multiply by 4 for all Twin Otter aircraft.

## CAM-03.2.3: DASH 8 (PW120A) ENGINE PLANNED SHOP VISIT EVENTS

- PW120A ESN 121323 (H4-SOL RHS)
  - Overhaul Event - Nov 2022 (est. US\$ 1,078,000.00)
  - HSI - Sep 2021 (est. US\$ 420,000.00)
- PW120A ESN 121216 (H4-SOL LHS)
  - TM Module Overhaul Event - Mar 2023 (est. US\$ 675,000.00)
  - HSI - Mar 2022 (est. US\$ 646,000.00)

**Note:** The cost of all Shop Visit maintenance is covered under the PBH Agreement with Vector Aerospace.

## CAM-03.2.4: DHC6-300 TWIN OTTER (PT6A-27) ENGINE PLANNED SHOP VISIT EVENTS &amp; FUEL NOZZLES

- PT6A-27 ESN PG0003 (H4-FSI LHS) - Overhaul Event - Sept 2020
- PT6A-27 ESN 50506 (H4-FSI RHS) - Overhaul Event - Dec 2020
- PT6A-27 ESN PG0181 (H4-OTA LHS) - Overhaul Event - Oct 2020 (LLP: pt. Hub due time expire)
- PT6A-27 ESN 25920 (H4-OTA RHS) - Overhaul Event - Apr 2020
- PT6A-27 ESN 52381 (H4-NNP LHS) - Overhaul Event - Aug 2021

- PT6A-27 ESN 41966 (H4-NNP RHS) - Overhaul Event - Jan 2021(LLP: pt. Hub & Impeller due time expire)
- PT6A-27 Fuel Nozzles - Restoration @ 250FH Intervals

Note: Cost of all Shop Visit maintenance is covered under the PBH Agreement with Pacific Turbine Brisbane (PTB) except for the engines on H4-FSI & H4-MAX, which are covered by the Rental Agreement between Solomon Airlines and Hevilift/Skytek.

#### **CAM-03.2.5: DASH 8 HSD 14SF-7 PROPELLER ASSEMBLY PLANNED SHOP VISIT EVENTS**

<b>Propeller Assembly Component</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>
Propeller Hub	0	0	0
Propeller Actuator	0	0	0
Propeller Transfer Tube	0	0	0
Propeller Blades	0	0	0
Propeller Control Unit (PCU)	0	0	0

#### **CAM-03.2.6: DASH 8 LANDING GEAR PLANNED SHOP VISIT EVENTS**

There are a number of planned removals for some of the major components. These are provided hereunder:

##### **CAM-03.2.6.1: NLG PARTS**

- i. Drag Strut Assembly- Sep 2020
- ii. Shock Strut- May 2021
- iii. Shock Strut Piston-May 2021
- iv. Trailing Arm- May 2021

#### CAM-03.2.6.2: MLG LH PARTS

- i. Drag Strut Assembly- Dec 2020
- ii. Shock Strut- Mar 2021
- iii. Piston-Mar 2021

#### CAM-03.2.6.3: MLG RH PARTS

- i. Yoke Assembly- Apr 2020
- ii. Drag Strut Assembly- Dec 2020
- iii. Shock Strut-Dec 2020
- iv. Piston- Mar 2021
- v. Strut-to-Yoke Pin-Jun 2020

#### CAM-03.2.7: DASH 8 APU PLANNED SHOP VISIT EVENTS

There is no planned shop visit for the APU nor are there is scheduled wheel changes or replacements due to expiry from 2019 to 2021.

#### CAM-03.2.8: DHC6-300 TWIN OTTER (HARTZELL) PROPELLER PLANNED SHOP VISIT EVENTS

- Propeller SN BUA25264 (H4-FSI LHS) - Apr 2020
- Propeller SN BUA24008 (H4-FSI RHS) - Nov 2020
- Propeller SN BUA20932 (H4-NNP LHS) - Apr 2021
- Propeller SN BUA25824 (H4-NNP RHS) - Aug 2021
- Propeller SN BUA28209 (H4-OTA LHS) - Feb 2021
- Propeller SN BUA20928 (H4-OTA RHS) - Aug 2020

#### CAM-03.2.9: MAJOR MODIFICATIONS (OR PROPOSED) OR ANCILLARY WORK:

There are some modifications and proposed project work for 2020, these are:

- Tracplus Satellite Communications on Dash 8 aircraft
- Tracplus Satellite Communications on Twin Otter aircraft x 3
- Additional GPS installations in Dash 8 aircraft

- Standardization of GPS Installations on DHC6 fleet.
- ADS-B out Capability on the domestic fleet (funded by the World Bank).

### CAM-03.3: CONTRACTS AND AGREEMENTS

A number Contracts and Agreements will be reviewed. These are the-ones that the Department is also responsible for administrating or assist in administrating. These include but are not limited to;

- Pacific Turbine Brisbane Contract ( PT6 Engines and Parts)
- Vector/ Standard Aero Contract (PW120A Engines)
- Fokker Services (Abacus Program)
- Rusada (Envision Maintenance Software- CAMO/FTM & Stores/Inventory Management)

### CAM-03.4: ANNUAL SUBSCRIPTIONS/ RADIO LICENSE AND SPECTRUM COSTS/ C OF A RENEWALS

COSTS OF ANNUAL SUBSCRIPTIONS FOR A NUMBER OF SUPPLIERS AND VENDORS ARE DUE FOR PAYMENT AND ARE VALID FOR EACH YEAR. Annual costs are also required for aircraft radio station and spectrum licenses and, the CAASI C of A Renewals.

#### CAM-03.4.1: ANNAUL AUBSCRIPTION

- Bombardier Navigator (DHC8-102)
- Navigator (Twin Otter DHC6-300), including Pratt & Whitney Canada (PWC)
- UTC Aerospace Systems (components that are used on the DHC8-102 and the Twin Otter DHC6-300 like the Propellers, APU, Aircon system packs, etc.)
- Hartzell Propellers (Twin Otter DHC6-300)
- Jeppesen GPS Updates (DHC8-102 and DHC6-300 aircraft)
- Envision CAMO and Inventory Fees
- Tracplus Usage fees for airtime and communications

#### CAM-03.4.2: RADIO STATION LICENSE COSTS

- DHC8-102 x 3



- Twin Otter DHC6-300 x 4 aircraft x 3

**CAM-03.4.3: RADIO SPECTRUM COSTS**

- DHC8-102 x3
- Twin Otter DHC6-300 x4 aircraft x3

**CAM-03.4.4: CAASI CERTIFICATE OF AIWORTHINESS (CoA) RENEWAL FEES**

- DHC8-102 x3
- Twin Otter DHC6-300 x 4 aircraft x 3

**CAM-03.4.5: CAASI MANUAL/ DOCUMENT REVIEW AND APPROVAL FEES**

- DHC6 MEL
- DHC6 Maintenance Program

**CAM-03.4.6: CAASI CONCESSION REVIEW AND APPROVAL FEES**

- DHC8-102 x 4
- Twin Otter DHC6-300 x 4 aircraft x 3

**12.4 CAM-05: STRATEGIC OBJECTIVES 2020-2022**

Key Strategic Outcome	Proposed Action Plan	Performance Target	Budget
E-IOSA	Close all IOSA findings and observations	Q3 2020	BAU
A320 Sale of and Induction of Replacement Aircraft	Plan and implement	Q1 2020	BAU
Maintenance Done on Time	Ensure that all Maintenance Planning and Maintenance is done on time	Q1 2020	BAU
Staff Training	Ensure staff training to be done on time.	Q1 2020	AUD\$10,000
Tracking Equipment	Install tracking equipment on all company aircraft	Q1, Q2, Q3, Q4 2020	USD\$100,00
Budget + Financials	Ensure Dept. operates within approved budgets and is consistency sparing ways to reduce costs. Ensure best pricing at all takes.	ON-GOING	N/A

## 13 COMMERCIAL

### 13.1 COM-01: RAISE ADDITIONAL FUNDING FOR THE SITDIF

The Solomon Islands Tourist Infrastructure Development Investment Fund (SITDIF) continues to assist existing lodges and hotels in the Western province to upgrade rooms and to add additional accommodation where possible. Renovating existing lodges make sense because there are no land ownership disputes that will affect the work being done and it is the quickest way to increase acceptable rooms.

The current beneficiaries of the investment fund include Agnes Gateway Hotel in Munda, Zipolo Habu Resort on Lola island which is about 20 minutes boat ride from Munda and Titiru Eco Lodge on Rendova island. Rekona Lodge in Gizo Township is the most recent applicant for the fund assistance.

The accommodation upgrades funded under this investment scheme seems to be having a positive effect on the general tourism development in and around Munda and the wider communities. The funded upgrades are certainly having a positive flow on effect.

Work to raise additional funding for the SITDIF continues unabated. When enough funding is available, a new resort which is eco-friendlily and unobtrusive will be built on a site which has no land ownership issues. The final phase of the fund related projects will be to roll out the success achieved in the Western province across the country.

When the existing resorts in the Western Province have upgraded or added rooms, Solomon Airlines will work with the management to market their product provided it is priced appropriately.

### 13.2 COM-02: BRISBANE OFFICE

A new Leisure Sales Executive was recruited in our Brisbane office. The primary task is for him to do regular Sales calls at all Travel Agents around Brisbane and the Gold Coast areas to try and increase awareness of Solomon Islands and specifically Munda and the Western Province and aggressively explore opportunities to sell the destination through affordable package deals.

The aim is to drive increased passenger loads from southeast Queensland and Northern New South Wales through this new setup. Ultimately we want to achieve high passenger loads for the Brisbane-Munda service and do direct return flights from Brisbane without combining Munda with Honiara.

### 13.3 COM-03: HONIARA CBD CUSTOMER CARE AND SALES OFFICE

The relocation of our CBD Sales office from Tongs building at the Hibiscus avenue back to our own building on Mendana avenue has saved the airline enormously in rental costs. The Sales team have settled down well into the new office complex and business is running well despite some challenging situations.

As part of improving and growing the business with our biggest clients, it is our intention to have part of the Point Cruz Sales team, located within the Ministry of Finance and Treasury (MoFT). An office has been identified by MoFT to house a small reservations team, comprising a couple of staff, who will be permanently based within MoFT to service all Government travel requirements. Establishment cost will basically involve setting up of a Communications line for telephone, internet and the Amadeus Reservations System.

**Budget: SBD\$50,000.00**

Two projects still remain outstanding with our Point Cruz Sales Office relocation (CBD set-up). These are the Top floor and the basement floor.

**Project A. (Phase 2 - Top Floor)**

Refurbished the top floor to cater for a Dedicated Customer Care Centre and some members of the Commercial Team including provision of hot desks for Head Office and other visiting staff by end July 2020 budget- SB \$300,000

**Project B. (Phase 3 - Basement)**

The basement area could also be developed into a Customer Care/ Corporate Centre. Additional plans include the development of a domestic inward/outward cargo facility as customers complain about the cost of travelling to Henderson to deposit or collect freight. The budget is SBD \$350,000.

**Project C. (Phase 4 - Building Expansion)**

Long term, the plan would be to expand all three floors of the building towards the backroad to create more office spaces to cater for an inbound tours office, a fully-fledged Training room and a more spacious Cargo facility area that would occupy most of the basement.

**13.4 COM-04: HENDERSON AIRPORT HEAD OFFICE AND CUSTOMER CARE CENTRE**

The standard of the existing reception /sales offices at the Henderson head office does not project a favourable image of the Airline. Having passengers bend down and turn their heads sideways to purchase tickets is not in line with caring for our customers. Concept designs and quotations were received from two possible contractors who are both ready to start almost immediately, depending on budget Approvals and Cash flow. **Budget – SB \$350,000.00**

**13.5 COM-05: MUNDA**

After lengthy delays, Solomon Airlines commenced direct once weekly flights from Brisbane to Munda International Airport on the 30th March 2019. With a direct flight every Saturday from Brisbane returning via Honiara. Munda is now being developed as a hub for tourism in the Western Province. The Dash-8 and the Twin Otters both provide inbound and outbound connections at Munda for Gizo, Seghe and Suavanao. One of the requirements to make Munda a successful hub will be to increase services from Honiara with a DHC-8 and base a Twin Otter Aircraft at the airport to service all Western ports including Choiseul Bay, Seghe, Ramata, Suavanao, and Kagau.

**13.6 COM-06: SOLOMON AIRLINES WEBSITE**

The Solomon Airlines website continues to undergo enhancements to ensure and provide continued improved functionality. The look and feel of the website is now significantly better than before and is more user friendly. Enhancement and improvement work on the website will continue to make sure it incorporates the latest advancements in technology for client efficiency.

Solomon Airlines has bought a software platform that will allow for Package deal Sales. This platform will be hosted in the website and will allow for clients to purchase packages online.

### **13.7 COM-07: RESERVATIONS AND TICKETING**

All of our Reservations and Ticketing staff at Honiara, Munda, Gizo and Kirakira have now received formal training in these disciplines. The next phase is to also have all of our Domestic out-ports staff go through the same formal training. The aim is to ensure everybody's skills set are brought up to the same levels as the rest of the team so that a more efficient service level is being provide to our customers but also so that our staff are equipped and aligned with our continuing expansion of the Amadeus Reservations System throughout the entire Solomon Airlines network.

**Budget: SBD\$15,000.00**

#### **My ID Staff Travel.**

Re-activation of the My ID staff Travel software is urgently required to be completed by Q1, 2020. The site was de-activated early in 2019 due issues relating to non-payment of airfares due primarily to no payment Gateway facility in place.

**Budget: AUD\$100K**

### **13.8 COM-08: SCHEDULE AND FARES**

A minimum of at least 2 seamless connections between BNE and the busy domestic ports such as Auki, Kirakira, Fera and at least 1 seamless connection each way have also been effected for ports such as Choiseul Bay, Kagau, Arona, Parasi, Rennell and Bellona. Through Fares have been filed and Published between major Australian Cities of Brisbane, Sydney, Melbourne, Canberra, Adelaide, Cairns and the Major domestics tourist ports of Gizo, Munda, Seghe, Suavanao and Marau.

The most challenging task is to operate the Published Domestic Schedule. 90% of the Domestic service is not reflective of the Published schedule and is a cause of going concern for the image, reputation and public confidence in Solomon Airlines. Schedule reliability is of paramount importance to our business and is a task that we must strive to achieve if we are going to survive competition which is a real threat or see any real growth in the domestic market.

### **13.9 COM-09: QANTAS/ AMADEUS DE-HOSTING PROJECT**

#### **Qantas Codeshare – Australian Domestic.**

In early 2019, Solomon Airlines commenced negotiations for a new codeshare arrangement with Qantas that will see Solomon Airlines code placed on the Qantas Domestic between the major Australian cities of Sydney, Melbourne, Canberra, Adelaide, Cairns and Perth, all using Brisbane as the transfer point for Solomon Airlines flights to/from Honiara. This project is currently being stalled awaiting the necessary completion of the Amadeus de-hosting process. All Solomon Airlines flight numbers. have already been forwarded to Qantas and the connecting Qantas flights have already been identified. We anticipate implementation of this project by the second half of 2020.

## Amadeus de-hosting.

### Phase 1

Phase 1 of the project has now been successfully completed albeit with some delays in the projected timeline. The project team encountered some hurdles during the cutover process but managed to successfully overcome them and proceeded with the implementation program.

New offices and login details for all team members both in Brisbane and Solomon Islands have now been successfully setup and completed. All old offices and login codes under the Qantas hosted partition have all been removed. All Reservations and Sales Staff are now operating in the new environment.

### Phase 2

Phase 2 of the project is now being rolled in.

Under this phase the EMD-Electronic Miscellaneous Document will be become available to our Reservations and Sales staff and the Airport check-in staff. The EMD facility will enable the airline flexible options for increase revenue through sales of ancillary products such as pre-purchase Excess Baggage, preferred Seat allocation and other airline services and products.

The reservations system will also be upgraded to ARD Web which will be a fully automated interface and team members will no longer have to remember cryptic entries but instead click a button to perform functions such as making a booking. The new feature Automated Ticket Changer will automatically calculate any additional payments automatically and will reduce any errors or waivers that aren't authorised. Once implemented this means that it will take team members a lot less time to be trained in how to use the system and should reduce the occurrence of human error when issuing/reissuing tickets. The airline will also implement Flight Management which is an automated load control system.

This phase will require significant training for frontline team members. All frontline reservations team members and support team members will need approximately five (5) days training. This training will cover how to use the new version of the reservations system.

In Phase 2, the project team will also be working with Amadeus to improve how we use features that are already in use at Solomon Airlines. The processes in many cases are very manual and by de-hosting from Qantas, the airline now has the opportunity to automate and simplify many day to day activities. Amadeus will be guiding the project team on best practice for how to use the system to the best advantage for Solomon Airlines.

Once Phase 2 has been signed off as complete, the implementation fee will be paid to Amadeus.

Costs – Phase 2

Reservations team member training – 5 days per person

Reservations support team member training – 5 days per person

Travel for project team (3 x team members) – training and implementation

Amadeus implementation fee – **EUR252, 000**

### **13.10 COM-10: INFLIGHT CATERING EQUIPMENT**

Upgrade of our inflight service will require the replenishment/purchase of new inflight catering service equipment such as cutleries, crockery, wine glasses and tumblers, napkins and serviettes and the whole range of catering service hardware. Our Business class service is in desperate need for upgrade to be on par with the expectations of our codeshare partners, especially Qantas, who has a very high level of inflight service. Intention is to have the new stock ready for inflight use with the introduction of the new A320 aircraft which is expected to be in-service by the middle of February 2020.

**Budget Cost: AUD\$60,000.00**

### **13.11 COM-11: BELAMA LOUNGE UPGRADE**

Upgrade to the Belama Lounge and program is also an outstanding project that needs to be addressed in the early part of 2020. Since the last renovations, refurbishment and upgrade of the lounge about 6 years ago, the lounge is now starting to show some serious deteriorations that requires very urgent work.

**Budget Cost: SBD\$250,000.000**

### **13.12 COM-12: MERCHANDISE**

As part of our advertising and promotions campaigns, we need to source and purchase a variety of merchandise. We are currently out of stock of any such materials, we have sourced from possible suppliers in China where costs are a bit cheaper.

**Budget: SBD\$250,000.00**

### **13.13 COM-13: TRAVEL AGENCY**

As part of our strategic Planning moving forward, it has always been our intention to Register and set up a Travel Agency. The Travel Agency will operate as a subsidiary Company of Solomon Airlines but totally independent in all its business transactions. The current difficulties in competing and offering long haul cheap airfares is one of the key issues that has contributed to the need to establish a Travel Agency, where it is anticipated that such options and offerings will be available.

It is also our intention that the Travel Agency will set up and operate an inbound/outbound Tours department. The ultimate aim is to drive increased traffic and revenue growth for Solomon Airlines.

**Budget: SBD\$600,000.00**

### **13.14 COM-14: CARGO**

Cargo has always been an important and integral part of our business. Cargo revenue is normally regarded as being the cream on the cake, revenue generated from cargo sales contributes to the difference in the profit and Loss statement. Cargo Revenue continues to contribute strongly to the P&L.

Recently we have appointed a new Cargo GSA (Pak Fresh) in Brisbane. The team at Pak Fresh is aggressive in their Marketing and Sales and the results are showing already from their monthly reports. We will continue to work closely with Pak Fresh and to continue to drive growth in the cargo business. One of the areas that we are looking closely at through our partnership with Pak Fresh is to seek on the Job attachment for our senior Honiara Cargo staff, where they could spend at least a week doing on the job training with the Pak Fresh team in BNE.

Commercial Cargo training is an area that has always been overlooked in previous years. For us to be able to competently offer quality services to our clients and being able to withstand the increasing competition that now exists in Honiara, we need to invest in upgrading the skills level of our staff. IATA offers a range of Cargo courses that would suit our needs.

**Budget: SBD\$600,000.00**

### **13.15 COM-15: STRATEGIC OBJECTIVES- 2020/2022**

<b>Key Strategic Outcome</b>	<b>Proposed action Plan</b>	<b>Performance Target</b>	<b>Budget</b>
<b>COM-01: SITDIF</b>	Campaign to raise money for the fund to enable resort development	2020	BAU
<b>COM-02: BRISBANE OFFICE</b>	Ongoing Sales Visits by our newly appointed Sales representative around southeast Queensland.	2020	
<b>COM-03: PT CRUZ CUSTOMER CARE CENTRE</b>	Establishment of Reservations/Sales office within MoFT.	Q1, 2020	SBD 25k
	Phase 2 - Design and build the Top floor into a Customer Care Centre and create hot desks for HQ staff.	Q3, 2020	SBD\$300K
	Phase 3 – Design and build Basement into Customer Care/Corporate Centre and Cargo Facility Centre.	Q4, 2020	SBD\$300K
<b>COM-04: HENDERSON CUSTOMER CARE CENTRE</b>	Commence the work on developing the new Customer Care Centre which will also house our Staff travel team and Telephone switchboard.	Q2,2020	SBD 350k



<b>COM-05: MUNDA</b>	Munda continues to play a pivot role as the new hub for the Western Province Tourism development. We will continue to run campaigns in Australia to assist boost traffic Numbers for Munda.	2020	AUD\$50K
<b>COM-06: SOLOMON AIRLINES WEBSITE</b>	Pursue implementation of the new Package Deal platform with Tomahawk/Amadeus Tomahawk to roll out the new features and payment gateways etc.	Q1, 2020 Q1, 2020	AUD \$100k AUD \$ 20k
<b>COM-07: RESERVATIONS AND TICKETING</b>	Plan training for all our Domestic out-ports staff. Implement Payment Gateway and re-activate My ID Travel facility.	Q2, 2020 Q1, 2020	AUD\$15K AUD\$100K
<b>COM-08: SCHEDULE AND FARES</b>	Continue with Connectivity Improvements on the Domestic Schedule to achieve more seamless connecting options with the International Schedule. Strive to enforce schedule reliability with the Domestic service by strictly adhering to operating the Published Schedule. Continue marketing and selling the recently Published through Fares from the Major Australian Cities to the main Tourist destinations in Solomon Islands.	Q1, 2020  Q1, 2020	
<b>COM-09: QUANTAS CODESHAREW/ AMADEUS DEHOSTING</b>	Pursue the Domestic Codeshare with Qantas on the Australian Domestic. Technical and Project management teams in place to manage the introduction of several new features.	Q1, 2020 Q2, 2020	€252,000
<b>COM-10: INFLIGHT CATERING EQUIPMENT</b>	Upgrade of Inflight Catering equipment to coincide with the introduction of the new A320 aircraft and also to be in line with the requirements of Codeshare partners.	Q2, 2020	AUD\$60K

<b>COM-11: BELEMA LOUNGE UPGRADE</b>	Upgrade of the Belama Lounge to offer better Customer service experience and to meet expected requirements of our codeshare partners.	Q2, 2020	SBD250K
<b>COM-12</b>	Purchase of branded merchandise for purposes of promotions and as Company supplies for occasions befitting.	Q2, 2020	SBD\$250K
<b>COM-13: TRAVEL AGENCY</b>	Establishment and Set-up of a Travel Agent as a subsidiary company of Solomon Airlines Ltd.	Q3, 2020	SBD\$600K
<b>COM-13: CARGO</b>	Cargo Training.	Q1, Q2, Q3, Q4, 2020	SBD\$600K

## 14 FINANCE

### 14.1 FINANCE DEPARTMENT EXECUTIVE SUMMARY

The Finance Department's business objective for the budget period 2020/22 will centre on providing leadership in three key areas of Finance: Accounting, Purchasing & Treasury and Staff Development, While the four areas appear different, they all serve a role in the department's objective to accurately record the transactions required to reflect Solomon Airlines financial position within the State Owned Enterprises and Company Law of Solomon Islands and Generally Accepted Accounting Principles,

Accounting is responsible for providing financial information to Management, Board of Directors and the Minister of Finance, as the Accountable and Responsible Minister of Solomon Airlines and as part of the company's effort to be transparent, The Primary function of Purchasing is to assist other departments with their procurement needs while meeting all applicable requirements, Treasury is responsible for billing and revenue collection services to both the airlines domestic and international customers in order to provide excellent service to our travelling clients and accurately record and receipt revenues for Solomon Airlines, What is required to ensure this is achieved are properly trained, motivated and managed Staff who have the appropriate equipment and tools,

### 14.2 FIN-01: ACCOUNTING

Accounting is responsible for providing financial information to Management, Board of Directors and the Minister of Finance, as Accountable and Responsible Minister of Solomon Airlines as part of the company's effort to be transparent. Key areas include, Revenue, Accounts Payable, Accounts Receivable, Payroll, Capital Investment, General ledger and Reporting

- To ensure compliance with the requirements of SOE act and the Companies act in the preparation of the company's accounts.
- To ensure full compliance with local and international Accounting standards
- Ensuring Accounting policies and procedures as per the Finance manual are rolled out to the business and are being compliant to.
- Ensure that the annual financial statements are being audited by a recognised audit firm
- Ensure the that financial reports are prepared and presented management and the board on a Timely manner

### 14.3 FIN-02: FINANCIAL INTERNAL CONTROL

Proper and satisfactory internal control systems are in place to identify and effectively manage business risks within Solomon Airlines:

- To ensure proper and satisfactory internal control systems are in place and are effective to manage business risks.
- To ensure financial health checks are conducted on the effectiveness of internal controls.
- To comply with the requirements of the Financial Policies and Procedures Manual as standards for all Managers and Staff to work with to improve work performance.
- To seek solution to the ongoing problem with Provincial Agencies with returns not coming on time. To follow up time frames set for each agency and collect the returns and bank sales proceeds promptly.

#### **14.4 FIN-03: ACCOUNTING SOFTWARE**

The focus for 2020 will be around the introduction of the Cargo revenue module within the VECTIS System. Continuous improvement in accounting systems planned for 2020/2021 specifically around the Following areas:

- Automation of the Cargo Revenue module into VECTIS
- Training and roll out of the Cargo automated system

#### **14.5 FIN-04: STATUTORY COMPLIANCE**

Finance Department will ensure relevant tax laws; regulation and procedures are adhered to for both Local and overseas tax authorities. All efforts will be put to ensure timely payment of the company's tax Obligations.

#### **14.6 FIN-05: STAFF TRAINING AND DEVELOPMENT**

A detailed training plan has been provided to HR. Priority training areas for Finance will be around Cargo Revenue Management and trainings to broaden and upgrade staff knowledge on Revenue Management and Financial controls In-house and on the job training will continue throughout the plan period.

#### **14.7 FIN-06: PAYMENT OF ACCOUNTS ON TIME**

It is essential that all accounts are paid on time. Too often the lack of cash flow is used as an excuse to cover up other inefficiencies in the system. The use of cash cheques will be reduced by 80% in 2020 and a further 10% in 2021.

Payments through EFTS will be increased to 60% of all payment transactions in 2020 and a further 20% in 2021.

### 14.8 FIN-06: KEY OBJECTIVES FOR 2020/2022

Objective	Topic	Budget	Due Date
<i>Objective 1</i>	In 2020, Finance will continue to focus on timeliness of Financial data processing and Reporting for Management and Board. Department Managers will be provided with the tracking of the monthly operational costs and Capex against their budget	N/A Fits with Business as Usual (BAU)	Ongoing
<i>Objective 2</i>	Procurement section will continue to negotiate corporate rates with major suppliers and lock-up SLAs and assist department with their procurement requirements and to track savings	N/A Fits with Business as Usual (BAU)	Ongoing
<i>Objective 3</i>	Training and Automation of Cargo Revenue	Training SBD62,000 Automation SBD72,000	Q2,2020
<i>Objective 4</i>	Maintain a cordial working relationship with local and overseas Tax Authorities	N/A Fits with Business as Usual (BAU)	Ongoing
<i>Objective 5</i>	Staff will be provided with appropriate training. This includes IATA training around Revenue Management both in-house & offsite. A detail training plan is with Human Resources Department	SBD190,455 000 For local and overseas	50 Q1/2 2020 and 50Q3/4
<i>Objective 6</i>	Reduce the use of cheques for payment	Local and overseas	Whole year

## 15 Budget and Forecast 2020-2022 (Forecast – Nov-19)

### 15.1 BRIEFING NOTES AND ASSUMPTIONS

These notes are an overview of the main assumptions and strategies used in the first version of the 2020-2022 Budget and Forecast for Solomon Airlines.

The detailed notes and assumptions as have been produced in recent years will be produced once the broad outline of the budget is agreed.

#### 15.1.1 Strategy and Assumptions

The Budget and Forecast is focused on the following major events and/or assumptions

1. Airbus A320 H4-BUS will continue in service until the end of Jan 2020 when it will be replaced by A320 MSN 2445. The budget includes the following in relation to this,
  - i) Replacement A320 will be leased at a rate of \$US 195k/month and have a hull value of \$US23m for insurance purposes (insurance value reducing at 3% annually)
  - ii) A deposit of \$US 585k will be paid for the aircraft lease (3months) and in addition to this a further \$US250k will be spent on spares (purchase assumed, a lease is possible).
  - iii) H4-BUS has been sold with the sale recorded in 2019 accounts. \$US 2.5m of the sales price will be received in Jan/Feb 2020 with the return of the aircraft.
  - iv) The newer aircraft will deliver savings in fuel (burns reduced to approx. 3,200 litre/flight hour) and maintenance (20% on H4-BUS)
2. There will be 5 x A320 services per week ex Brisbane of which 1 will be via Munda. Market share and pax numbers on the Brisbane route have been the subject of a separate analysis this year (see Appendix 5). The main factors are,
  - i) IE (and QF) expects to continue to take market from DJ (Virgin Australia) in 2020 with the introduction of the more modern A320 assisting in this.
  - ii) QF code share pax which are expected to reach 8,800 to 9,000 pax for 2019 are budgeted to increase further to 9,600 pax in 2020.
  - iii) Munda direct pax, as expected in 2019 were low for a start, but by end of 2019 were reaching budget levels. As assumed in 2019 it is expected that 2020 loads will be 50% higher than corresponding month in 2019 (an increase of 1,900 pax over 2019 to 4,400 p.a.)
  - iv) Munda will gain a further boost with the assumption that QF will code share through Munda from July 2020
  - v) IE will lose pax through the cessation of the HIR-TRW service for Air Kiribati from end of Feb 2020. This will see a reduction of 200 pax per month on Bne/Hir route.

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- vi) Freight income has been strong in 2019 and it is expected that will continue in 2020 and improve further in 2020 with a new aircraft which should increase carrying capacity given lower fuel burns.
3. Services to Kiribati (Tarawa) will cease at the end of February 2020 when Air Kiribati are expected to commence services in their own name. The return of the deposit paid by Air Kiribati is included in the Cash flow for March 2020 (\$US 85k)
  4. Solomon Airlines undertook a program to refurbish Twin Otters H4-OTA and H4-NNP in 2019. As part of this program a crack as detected in the mainframe of H4-OTA. This will be repaired in 2020 (cost \$US 500k, capitalized and amortized over 4 years) and MSN 381 (Twin Otter) will be cross hired for Jan and Feb 2020 while this repair is completed.
  5. To provide capacity and to upgrade the domestic fleet Solomon Airlines will purchase a Twin Otter X2 (High Gross Weight) from April 2020. This aircraft will be purchased on following terms and assumptions
    - i) Purchase price \$US 5.8m, funded via loan of \$US 4.9m (\$SBD equivalent, ANZ funding) and IE contribution of \$US 0.9m
    - ii) Monthly loan payments of \$US75,000 (\$SBD equivalent) for 84 months with Nil residual
    - iii) Hourly payments for engines and propellers to PBH provider (to be chosen) \$US 247/hour
    - iv) Reduced maintenance costs in the first 2 years of operation (new aircraft/warranty)
    - v) Hull value for insurance purposes of \$US7m
    - vi) Critically this aircraft, due to its high gross weight, will be able to carry additional payload (main routes for use will be Rennell and Santa Cruz).
  6. In Jan 2021 H4-OTA will be retired and replaced with a 2<sup>nd</sup> Twin Otter X2 on the same terms and conditions as above.
  7. The impact of aircraft refurbishment, C Checks and new aircraft on domestic passenger numbers is shown in Appendix 4. Specifically, it is assumed that
    - i) The base domestic market will grow at 3.5% p.a. in 2020 over 2019 (and at 2% p.a. thereafter)
    - ii) The X2 will carry on average 2.5 additional pax per sector flown than could be carried on the older DHC6-300 Twin Otters. This will apply over 16 sectors per week. Operational numbers suggest that the X2 could carry in excess of 4 pax per sector.
    - iii) During 2020 schedules will be reviewed to have more point to point flights and to better match capacity to demand.

The combination of these factors will see Domestic pax numbers increasing from the 2019 estimate of 96,000 pax annually to 101,600 (+6%) in 2020 and 103,400 in 2020 (+2%) and 106,300 (+3%).

8. Solomon Airlines will introduce the Amadeus reservations system operated in Solomon Airlines own right from Nov 2019. Previously the airline was sub-hosted within the Qantas system. The cost on introduction, including software purchase and training of \$SBD 3.2m has been capitalized in 2020 and will be amortized over 5 years.

From Jan 2020 the new costs (as quoted by Amadeus) for use of their system are budgeted – budget cost, excluding IE labour, of \$US 4.50 per pax.

9. Fuel prices as at October/November 2019 have been assumed for 2020. The expectation for 2020 is for small increases only in fuel prices (\$A 0.04 cpl, or 5% assumed).
10. A review was undertaken in 2018 and 2019 of payment arrangements for ex-pat pilots and for local staff receiving school fee benefits. In both cases a change to the taxing arrangements were implemented in line with SIG IRD rulings. This has seen an increased tax impost, which has been borne by Solomon Airlines and is reflected in the increased Domestic Aircrew costs in particular when compared with prior years (\$SBD 3.2m increase in 2020 costs over 2019)
11. Maintenance costs have been budgeted based on existing trends, with exception of A320 noted above and for an allowance made for the amortization of Dash 8 engine overhauls which occurred in the 2019 year.
12. Aircraft insurance increased by 16% for rate increase (general market increases have been of the order of 25%) and further increases due to increased hull values for MSN 2445 and X2.
13. Average exchange rates between the \$AUD and \$SBD will move in favour of the \$SBD and will average 0.17 AUD to \$SBD 1.00 (previous year 0.16 assumed)



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### 15.1.2 Summary and Results

The 2020 result is affected by the hire in costs while H4-BUS is replaced with A320 MSN 2445 as well as additional Twin Otter hire while OTA is repaired. The cessation of the Air Kiribati ACMI also negatively impacts the 2020 result. In 2021 and 2022 with the impact of the X2 introduction and improvements in market share and yield on Australian international services driven by A320 MSN 2445 stronger results, especially at the EBITDA level are forecast

The cash flow is constrained in 2020 by the large payments to Amadeus and for X2 introduction but with improved profitability in 2021 and 2022 the cash position also improves.

## Appendix 1 – Financial Results

BUDGETED PROFIT AND LOSS ACCOUNT														
Version 1 - Produced Nov-19 - MSN 2445 Operational														
SOLOMON AIRLINES LTD	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	Total	
2020 BUDGET PROFIT AND LOSS														
\$SBD:\$US	0.120	0.120	0.120	0.120	0.120	0.120	0.120	0.120	0.120	0.120	0.120	0.120	0.1200	
\$SBD:\$A	0.170	0.170	0.170	0.170	0.170	0.170	0.170	0.170	0.170	0.170	0.170	0.170	0.1700	
AIRCRAFT FLIGHT HOURS														
DHC6	593.0	488.0	518.0	518.0	518.0	518.0	685.0	520.0	520.0	520.0	520.0	695.0	6,613	
BN2A	-	-	-	-	-	-	-	-	-	-	-	-	-	
DHC8	155.0	100.0	105.0	105.0	105.0	110.0	125.0	120.0	110.0	110.0	120.0	160.0	1,425	
A320	206.7	99.4	178.3	176.5	176.9	178.3	185.6	179.0	172.7	188.3	192.6	188.6	2,123	
TOTAL HOURS	954.7	687.4	801.3	799.5	799.9	806.3	995.6	819.0	802.7	818.3	832.6	1,043.6	10,161	
SUMMARY														
REVENUE	29,585,204	22,531,391	23,955,875	24,192,401	24,104,678	25,692,796	28,794,112	25,786,621	26,040,098	28,720,062	29,445,981	32,375,337	321,224,557	
FUEL	5,948,196	5,005,188	5,170,436	5,165,275	5,157,799	5,216,702	6,022,911	5,389,624	5,218,886	5,515,773	5,707,077	6,356,674	65,874,540	
AIRCRAFT R&M and SPARES	5,557,323	4,038,030	4,963,375	4,938,888	4,949,723	4,912,655	5,633,895	5,122,019	4,975,894	5,166,639	5,277,846	6,060,960	61,597,246	
AIR NAV, LANDING & HANDLING ETC	1,492,043	1,440,775	1,587,957	1,599,115	1,609,532	1,763,251	1,848,051	1,914,937	1,721,962	1,829,199	1,674,469	1,501,856	19,983,145	
AIRCRAFT OPERATING LEASE & HIRE	458,333	4,243,309	1,833,333	1,833,333	1,833,333	1,833,333	1,833,333	1,833,333	1,833,333	1,833,333	1,833,333	1,833,333	23,034,975	
CATERING	569,941	491,397	560,380	580,292	575,078	590,623	649,227	607,005	600,187	634,719	656,850	661,676	7,177,377	
DEPRECIATION	700,537	722,270	728,826	738,540	746,018	756,705	928,395	940,573	944,422	946,359	946,659	946,742	10,046,045	
INSURANCE	498,188	559,410	559,410	559,410	559,410	613,670	613,670	613,670	613,670	613,670	613,670	419,079	6,836,923	
SALARIES													-	
AIRCREW - DOMESTIC	1,522,514	1,522,514	1,522,514	1,525,206	1,525,206	1,525,206	1,542,761	1,542,761	1,542,761	1,542,761	1,542,761	1,542,761	18,399,728	
AIRCREW - INTERNATIONAL	1,467,175	1,420,204	1,454,910	1,445,245	1,459,010	1,459,010	1,465,881	1,479,645	1,462,292	1,466,506	1,471,594	1,471,594	17,523,066	
ENGINEERING	925,344	925,344	947,403	933,344	955,533	933,474	960,366	938,307	938,378	938,378	938,379	938,379	11,272,634	
MGMT & ADMIN	2,789,396	2,789,396	2,817,631	2,789,396	2,789,396	2,817,631	2,812,631	2,812,631	2,840,866	2,815,434	2,813,440	2,841,675	33,729,522	
DHC8 START UP AMORTIZATION	-	-	-	-	52,312	52,312	52,312	52,312	52,312	52,312	52,312	52,312	418,492	
A320 START UP AMORTIZATION	-	-	-	-	-	-	-	-	-	-	-	-	-	
BASE COSTS - OPS	979,216	974,591	977,216	980,067	980,942	980,067	979,370	981,901	981,036	981,911	981,036	981,911	11,759,260	
BASE COSTS - INTL BASES	751,683	751,683	751,683	751,683	751,683	751,683	762,922	762,573	762,573	762,573	762,573	762,573	9,085,890	
BASE COSTS - BELAMA LOUNGE & VIP	93,218	85,836	87,434	90,606	90,006	90,338	94,387	91,105	92,570	94,568	94,053	96,069	1,100,189	
BASE COSTS - DOMESTIC OUTPORTS	146,238	146,238	146,238	146,238	146,238	146,238	147,640	147,640	147,640	147,640	147,640	147,640	1,763,268	
RPT COSTS	564,215	501,824	549,282	543,587	540,265	557,416	582,722	554,325	553,280	555,074	571,821	610,573	6,684,384	
INT & B/CHARGES	133,289	124,871	128,562	123,304	123,792	118,661	370,401	365,700	350,509	356,151	341,214	346,492	2,882,946	
ADMINISTRATION	797,090	784,255	794,718	796,035	795,816	799,786	807,539	800,020	1,000,654	807,354	809,169	816,492	9,808,928	
TOTAL EXPENSES	25,393,938	26,527,134	25,581,309	25,539,564	25,641,090	25,918,761	28,108,415	26,950,081	26,633,228	27,060,353	27,235,896	28,388,791	318,978,560	
PROFIT	4,191,266	(3,995,743)	(1,625,434)	(1,347,163)	(1,536,412)	(225,966)	685,697	(1,163,460)	(593,129)	1,659,710	2,210,085	3,986,546	2,245,997	

<b>Solomon Airlines Ltd</b>				
<b>BUDGETED PROFIT AND LOSS ACCOUNT</b>				
<b>2020-2022</b>				
<b>LEASED/OWNED A320 - Owned Dash (x1) - MSN 2445 Lease</b>				
<b>YEAR</b>		<b>2020</b>	<b>2021</b>	<b>2022</b>
<b>\$SBD:\$A</b>		<b>0.1700</b>	<b>0.1700</b>	<b>0.1700</b>
<b>\$SBD:\$US</b>		<b>0.1200</b>	<b>0.1200</b>	<b>0.1200</b>
<b>AIRCRAFT FLIGHT HOURS</b>		<b>10,161</b>	<b>9,293</b>	<b>9,378</b>
<b>Total Rev Pax - Intl (incl QF Code Share)</b>		<b>54,082</b>	<b>57,962</b>	<b>63,936</b>
<b>Total Pax - Domestic</b>		<b>101,607</b>	<b>103,372</b>	<b>106,305</b>
<b>SUMMARY</b>		<b>\$SBD</b>	<b>\$SBD</b>	<b>\$SBD</b>
<b>REVENUE</b>		<b>321,224,557</b>	<b>338,128,210</b>	<b>357,078,501</b>
<b>OPERATING COSTS</b>				
FUEL		65,874,540	66,193,966	67,303,909
AIRCRAFT REP & MAIN		61,597,246	61,665,627	66,788,564
AIR NAV, LANDING & HANDLING ETC		19,983,145	19,864,750	20,887,763
CATERING		7,177,377	7,675,493	8,260,389
<b>TOTAL OPERATING COSTS</b>		<b>154,632,308</b>	<b>155,399,836</b>	<b>163,240,625</b>
<b>SALARIES</b>				
AIRCREW - DOMESTIC		18,399,728	19,042,586	19,613,111
AIRCREW - INTERNATIONAL		17,523,066	18,236,762	18,925,120
ENGINEERING		11,272,634	12,086,036	12,955,422
BASE COSTS - OPS		11,759,260	12,323,672	12,917,579
BASE COSTS - INTL BASES		9,085,890	9,405,860	9,642,315
BASE COSTS - BELAMA LOUNGE		1,100,189	1,173,719	1,282,331
BASE COSTS - DOMESTIC OUTPORTS		1,763,268	1,827,883	1,895,105
RPT COSTS		6,684,384	6,776,844	7,056,048
<b>DIRECT LABOUR &amp; COSTS</b>		<b>77,588,420</b>	<b>80,873,362</b>	<b>84,287,030</b>
<b>GROSS MARGIN</b>		<b>89,003,829</b>	<b>101,855,013</b>	<b>109,550,846</b>
<b>FIXED COSTS</b>				
AIRCRAFT OPERATING LEASE & HIRE		23,034,975	22,000,000	22,410,333
INSURANCE		6,836,923	7,705,345	7,776,472
<b>TOTAL FIXED COSTS</b>		<b>29,871,898</b>	<b>29,705,345</b>	<b>30,186,805</b>

<b>Solomon Airlines Ltd</b>				
<b>BUDGETED PROFIT AND LOSS ACCOUNT</b>				
<b>2020-2022</b>				
<b>LEASED/OWNED A320 - Owned Dash (x1) - MSN 2445 Lease</b>				
<b>YEAR</b>		<b>2020</b>	<b>2021</b>	<b>2022</b>
<b>\$SBD:\$US</b>		<b>0.1700</b>	<b>0.1700</b>	<b>0.1700</b>
<b>\$SBD:\$A</b>		<b>0.1200</b>	<b>0.1200</b>	<b>0.1200</b>
OVERHEAD				
MGMT & ADMIN - SALARIES		33,729,522	35,163,964	36,706,459
ADMINISTRATION		9,808,928	10,326,180	10,915,667
TOTAL OVERHEAD		43,538,450	45,490,144	47,622,126
EBITDA		15,593,481	26,659,523	31,741,914
DEPRECIATION & AMORTIZATION		10,464,537	13,733,926	13,313,453
PROFIT/(LOSS) on Sale of Fixed Assets		-	-	-
EBIT		5,128,943	12,925,597	18,428,461
INTEREST		2,882,946	5,814,630	6,081,508
<b>NET PROFIT BEFORE TAX</b>		<b>2,245,997</b>	<b>7,110,967</b>	<b>12,346,954</b>
TAX		-	-	-
<b>NET PROFIT AFTER TAX</b>		<b>2,245,997</b>	<b>7,110,967</b>	<b>12,346,954</b>
RETAINED EARNINGS BOUGHT FORWARD		(85,035,065)	(82,789,068)	(75,678,100)
<b>RETAINED EARNINGS CARRIED FORWARD</b>		<b>(82,789,068)</b>	<b>(75,678,100)</b>	<b>(63,331,147)</b>

## Solomon Airlines Ltd

## CASHFLOW PROJECTIONS - YEAR 2020 - 2022

## Version 1 - Produced Nov-19 - MSN 2445 Operational

	\$SBD:\$US \$SBD:\$A	0.17 0.12	0.17 0.12	0.17 0.12	0.17 0.12	0.17 0.12	0.17 0.12	0.17 0.12	0.17 0.12	0.17 0.12	0.17 0.12	0.17 0.12	0.17 0.12		0.12 0.17	0.12 0.17
		Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	Total	2021	2022
Profit From Operations		4,191,266	- 3,995,743	- 1,625,434	- 1,347,163	- 1,536,412	- 225,966	685,697	- 1,163,460	- 593,129	1,659,710	2,210,085	3,986,546	2,245,997	7,110,967	12,346,954
Add: Non Cash Items																
Depreciation		700,537	722,270	728,826	738,540	746,018	756,705	928,395	940,573	944,422	946,359	946,659	946,742	10,046,045	13,106,188	12,685,715
Amortization - Components		194,145	133,099	138,649	136,187	136,187	141,737	158,386	152,836	141,737	141,737	152,836	197,233	1,824,769	2,683,883	5,261,225
Amortization - A320 Start Up		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Amortization - Amadeus Install		-	-	-	-	52,312	52,312	52,312	52,312	52,312	52,312	52,312	52,312	418,492	627,738	627,738
Loss on Sale		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Provision for Engine Repairs		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total - Non Cash Items		894,682	855,369	867,475	874,728	934,516	950,754	1,139,092	1,145,721	1,138,471	1,140,407	1,151,806	1,196,287	12,289,306	16,417,809	18,574,678
Total Cash Generated		5,085,948	- 3,140,375	- 757,959	- 472,435	- 601,896	724,788	1,824,789	- 17,739	545,341	2,800,117	3,361,891	5,182,832	14,535,303	23,528,777	30,921,632
Less: Capital Payments																
Principal Loan Repayments		419,807	428,226	424,533	429,792	429,304	434,434	803,981	808,682	823,873	818,231	833,168	827,891	7,481,922	11,958,826	15,922,831
Less: Capital Expenditure																
Spares Purchase (incl A320)		-	416,667	416,667	416,667	416,667	416,667	-	-	-	-	-	-	2,083,333	-	-
Amadeus Install		83,812	118,516	207,118	2,729,244	-	-	-	-	-	-	-	-	3,138,691	-	-
A320 Purchase/Finance Payments		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Vector PBH Reserve		477,917	308,333	323,750	323,750	323,750	339,167	385,417	370,000	339,167	339,167	370,000	493,333	4,393,750	4,393,750	4,393,750
DHC8 Engines (Overhaul/Hot sect)		-	-	-	-	-	-	-	-	-	-	-	-	-	-	12,344,500
X2 Deposits/Return AKL Deposit		3,250,000	-	716,667	-	-	-	-	-	-	-	-	-	3,966,667	-	-
A320 Improvements Loan		-	-	-	-	-	-	48,333,333	-	-	-	-	-	48,333,333	48,333,333	0
Fixed Assets - Other Departments		110,000	4,274,608	460,118	549,059	330,588	965,882	1,419,353	1,536,471	461,853	232,353	36,000	10,000	10,386,284	2,510,000	2,814,706
A320 Engine Repair (Capital Asset)		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A320 Introduction		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Capital Expenditure and Loans		4,341,536	5,546,350	2,548,852	4,448,512	1,500,309	2,156,150	50,942,084	2,715,153	1,624,893	1,389,751	1,239,168	1,331,224	79,783,981	67,195,909	35,475,787
Add: Capital Inflows																
Loan Funds BSP/Sky/ANZ		-	-	-	-	-	-	40,833,333	-	-	-	-	-	40,833,333	40,833,333	-
A320 Sale Balance		20,833,333	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Engine Events - Vector Funded		-	-	-	-	-	-	-	-	-	-	-	-	-	-	12,344,500
X2 Deposit Paid 2019 used 2020		-	-	-	-	-	-	6,666,667	-	-	-	-	-	6,666,667	-	-
Total Inflows		20,833,333	-	-	-	-	-	47,500,000	-	-	-	-	-	47,500,000	40,833,333	12,344,500
Other Outflows																
CSO Timing Difference		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Creditor Payments Timing and PTB/AAR Arrears		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net Cash Flow		21,577,745	- 8,686,724	- 3,306,811	- 4,920,947	- 2,102,205	- 1,431,362	- 1,617,295	- 2,732,892	- 1,079,551	1,410,366	2,122,723	3,851,608	- 17,748,678	- 2,833,799	7,790,345
Opening Bank Balance		6,528,714	28,106,459	19,419,735	16,112,924	11,191,977	9,089,772	7,658,411	6,041,116	3,308,224	2,228,672	3,639,038	5,761,761		9,613,369	6,779,571
Closing Bank Balance		28,106,459	19,419,735	16,112,924	11,191,977	9,089,772	7,658,411	6,041,116	3,308,224	2,228,672	3,639,038	5,761,761	9,613,369		6,779,571	14,569,915

**Leased A320, Owned Dash 8 (x 1)****Solomon Airlines Ltd****Version 1 - Produced Nov-19 - MSN 2445 Operational**

(Incs A320 Sale)

**Forecast****Forecast****Forecast****31-Dec-20****31-Dec-21****31-Dec-22**

No NRWHT

**BALANCE SHEET AS AT 31 DECEMBER****31-Dec-18****30-Sep-19**

\$SBD

\$SBD

\$SBD

\$SBD

**CURRENT ASSETS**

CASH AT BANK/(OVERDRAFT)

10,660,819

6,528,714

9,613,369

6,779,571

14,569,915

RECEIVABLES

13,853,563

8,470,209

8,470,209

8,470,209

8,470,209

SUNDRY DEBTORS &amp; DEPOSITS

12,721,912

45,553,338

22,020,005

22,020,005

22,020,005

INVENTORY

3,914,681

4,830,049

4,830,049

4,830,049

4,830,049

**TOTAL CURRENT ASSETS****41,150,975****65,382,310****44,933,632****42,099,833****49,890,178****NON-CURRENT ASSETS**

PROPERTY PLANT &amp; EQUIPMENT

159,153,360

112,936,996

161,869,133

196,922,395

194,134,661

OTHERS (INCL A320 START UP and Amadeus)

-

-

2,720,199

2,092,461

1,464,723

DEPOSITS

6,176,051

-

0

0

0

**TOTAL NON-CURRENT ASSETS****165,329,411****112,936,996****164,589,332****199,014,856****195,599,384****TOTAL ASSETS****206,480,386****178,319,306****209,522,964****241,114,690****245,489,562****CURRENT LIABILITIES**

TRADE CREDITORS

22,260,208

30,945,183

30,945,183

30,945,183

30,945,183

OTHER CREDITORS &amp; ACCRUALS

20,929,954

30,408,973

30,408,973

31,107,166

31,129,048

BANK LOAN - CURRENT

3,793,708

3,793,708

5,393,704

5,393,704

5,393,704

OTHER LOANS - AAR, Sky and Hevilift

-

-

0

0

-0

ENGINE PBH VECTOR

(300,779)

8,321,322

3,927,572

-466,178

7,484,572

ENGINE REPAIRS PROVIDED

-

-

0

0

0

IRD - NRWHT

-

-

0

0

0

UNEARNED REVENUE

41,752,526

38,398,883

38,398,883

38,398,883

38,398,883

PROVISIONS

6,157,006

5,622,974

5,622,974

5,622,974

5,622,974

**TOTAL CURRENT LIABILITIES****94,592,623****117,491,043****114,697,289****111,001,732****118,974,364****NON-CURRENT LIABILITIES**

BANK LOAN - NON CURRENT

38,229,387

13,696,364

45,447,779

73,624,095

57,679,381

AAR &amp; SKY NON CURRENT

16,548,592

-

-

-

-

OTHER CREDITORS &amp; ACCRUALS

-

-

-

-

-

EMPLOYEE PROVISIONS

11,538,782

15,101,598

15,101,598

15,101,598

15,101,598

DEFERRED INCOME TAX LIABILITY

13,373,696

4,509,497

4,509,497

4,509,497

4,509,497

**TOTAL NON-CURRENT LIABILITIES****79,690,457****33,307,459****65,058,874****93,235,190****77,290,476****TOTAL LIABILITIES****174,283,080****150,798,502****179,756,163****204,236,922****196,264,840****NET ASSETS****32,197,306****27,520,804****29,766,801****36,877,768****49,224,722****SHAREHOLDERS' EQUITY**

SHARE CAPITAL

78,809,801

78,809,801

78,809,801

78,809,801

78,809,801

RESERVES

34,251,494

33,746,068

33,746,068

33,746,068

33,746,068

CURRENT YEAR PROFIT

-

-

2,245,997

7,110,967

12,346,954

RETAINED PROFITS

(80,863,992)

(85,035,065)

-85,035,065

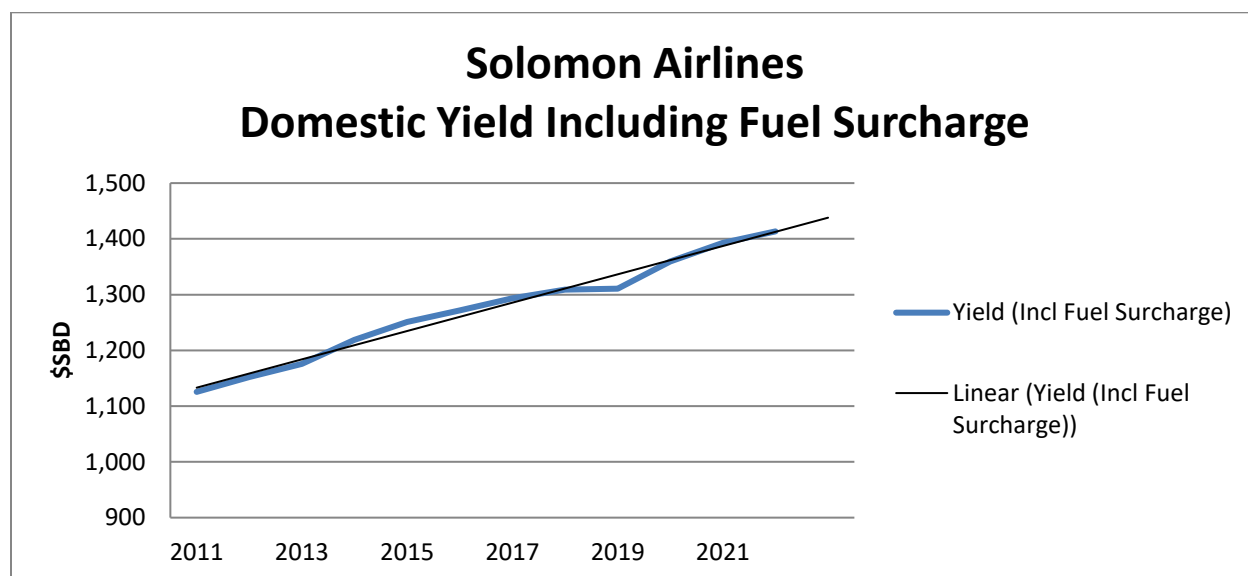
-82,789,069

-75,678,101

**TOTAL SHAREHOLDERS' EQUITY****32,197,306****27,520,804****29,766,801****36,877,768****49,224,722****Statement of Corporate Objective and Company Business Plan 2020-2022**

## Appendix 2

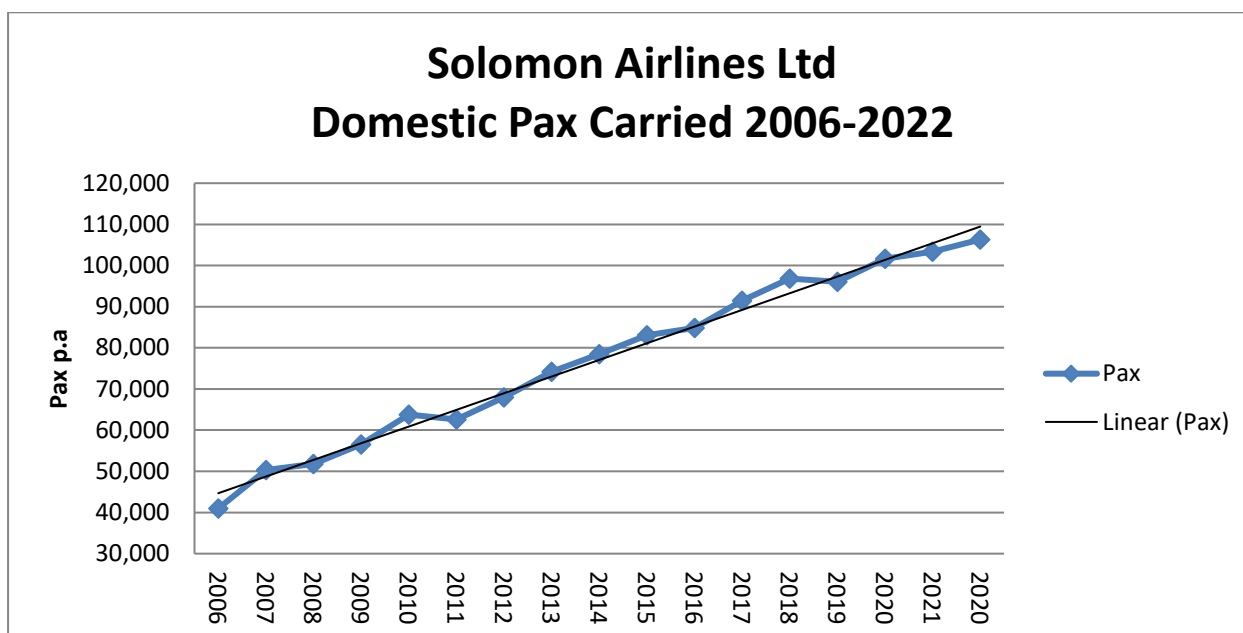
## Domestic Yield and Pax Nos.



1. 7% increase applied in 2011
2. Price includes fuel levy in years prior to 2015 (levy removed in 2015)
3. Flattening of yield in 2013 attributed to reduced longer sector flying due to closure of Munda and Gizo for airstrip renovations and Chosieul due to unserviceability of airstrip.
4. This reverses in 2014 as longer sectors are flown by pax. Yield for 2019 is actual to October and budget thereafter.
5. Yield trend flattens again in 2019 as pax numbers remain constant with reduced aircraft capacity (Dash 8 C Check and unserviceabilities.)
6. With introduction of X2, operating longer, direct flights trend increase in yield expected to resume.

## Appendix 2

### Domestic Pax Numbers



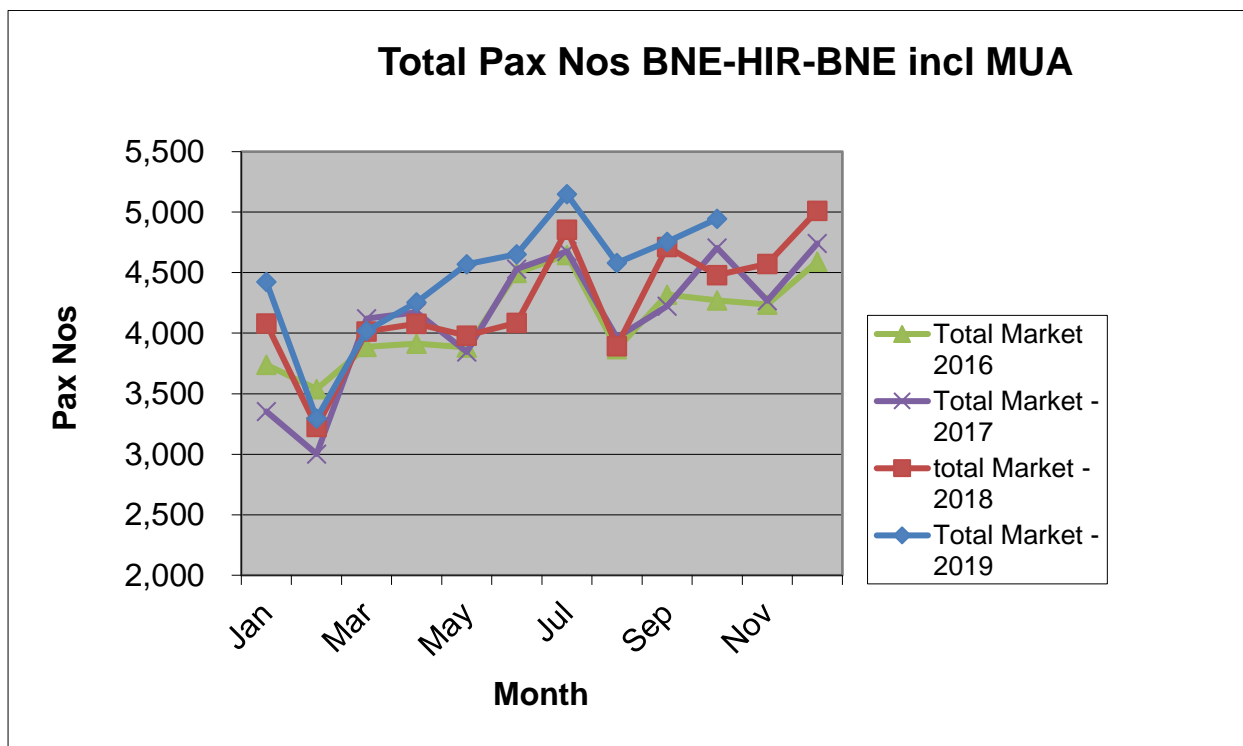
#### Notes:

1. Revenue and Non-Revenue Pax included in pax numbers.
2. Dash 8 introduced in Nov 2009 and explains the acceleration in numbers in 2010 and 2011
3. Downturn in pax numbers in 2011 due to APNG DHC8 unserviceability and unavailability
4. Own Dash 8 aircraft introduced in Nov-12.
5. April 2014 affected by floods, 1,200 pax reduction compared to April 2013.
6. 2016 pax numbers affected by C Check for Dash 8 (Mar to May 2016)
7. 2018 pax numbers exceeded 96,800 and included strongest month to date of 9,940 pax in Dec 2018.
8. 2019 pax numbers are actual to Oct and budget thereafter. The Dash 8 C Check and decline in local market affected pax numbers with 2019 pax numbers expected to be less than 2018
9. 2020 and later increases are budgeted below trend, reflecting capacity/aircraft serviceability limitations until X2 fully introduced



## Appendix 3

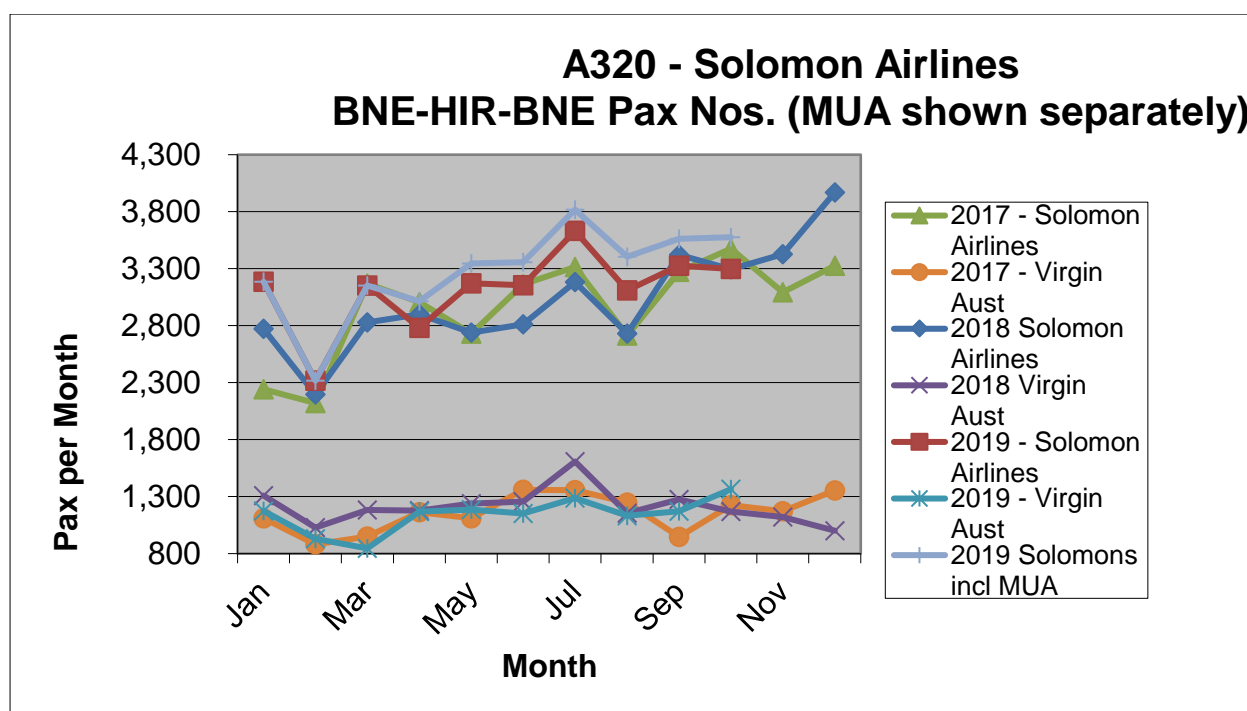
## International Pax Nos. and Yield



1. Between 2011 and 2013 there was no growth in the BNE-HIR market.
2. In 2014, pax numbers decreased 5% over 2013. The majority of this decrease came in the April and May 2014 as a result of the floods.
3. 2015 and 2016 has seen a continuation of the trend of reduced numbers, although this has in part been a result of the new Sydney service.
4. In 2016 the market has reversed further with estimated pax numbers for the Australian market falling below 50,000
5. 2017 saw a slow recovery, with pax number increases year on year of over 3%
6. 2018 saw first growth in market for 3 years, with pax nos. exceeding 2015
7. 2019 has seen further growth with market expected to reach close to 54,000 pax which will best since 2014 (which was record pax no. year)

## Appendix 3

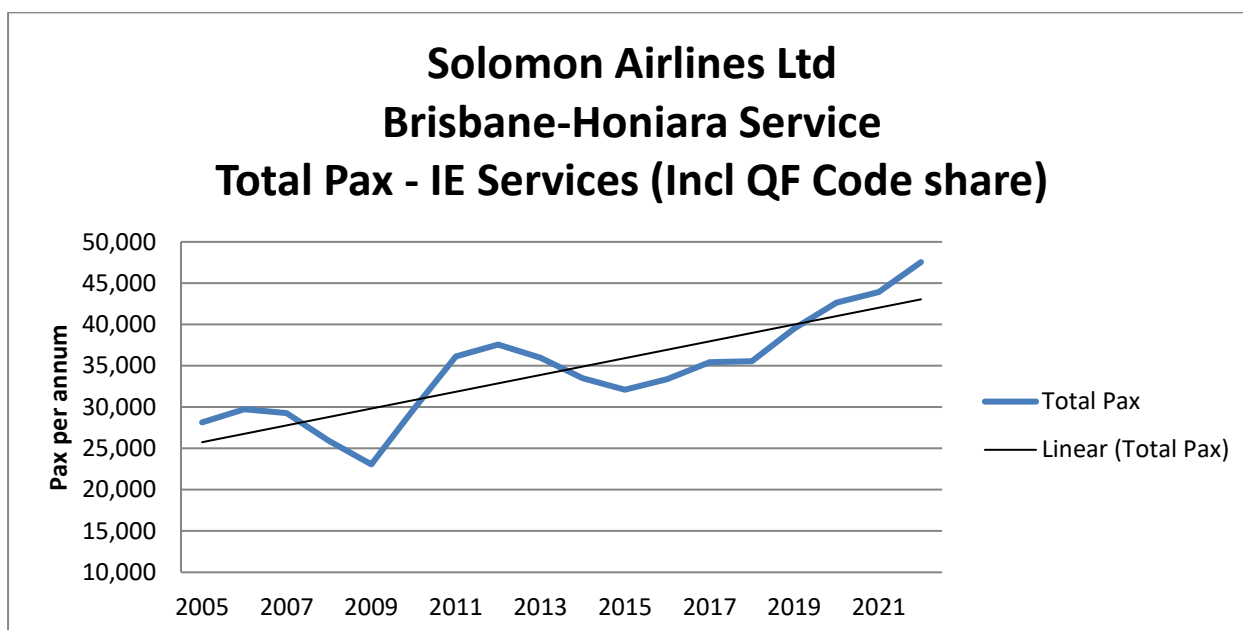
## International Pax Numbers



1. As a result of entry of Pacific Blue on the Brisbane-Honiara sector the market has seen significant growth with lower prices stimulating demand.
2. The market demand for 2009 was 44,000 pax., well in excess of the 26,000 in 2008 prior to Pacific Blue's entry.
3. 2013 to 2016 pax numbers for both Solomon's and Virgin have shown no growth to negative growth.
4. Floods in April 2014 affected both April and May results, more noticeably for Solomon Airlines.
5. The entry of Qantas, as a code share partner with Solomon Airlines, into the market in early 2016 has seen a shift in the relative performance with Virgin pax numbers going into reverse. Qantas code share pax are included as Solomon Airlines in above graph as they are carried by Solomon's.
6. 2018 saw the relative split between Virgin and Solomon's change slightly in Virgin's favour due to the A320 has not being in service for part of the year.
7. This trend reversed in 2019 with the A320 in operation, including new service via Munda
8. For the forecast period IE/QF are expected to gain further market share, especially with the introduction of a newer A320

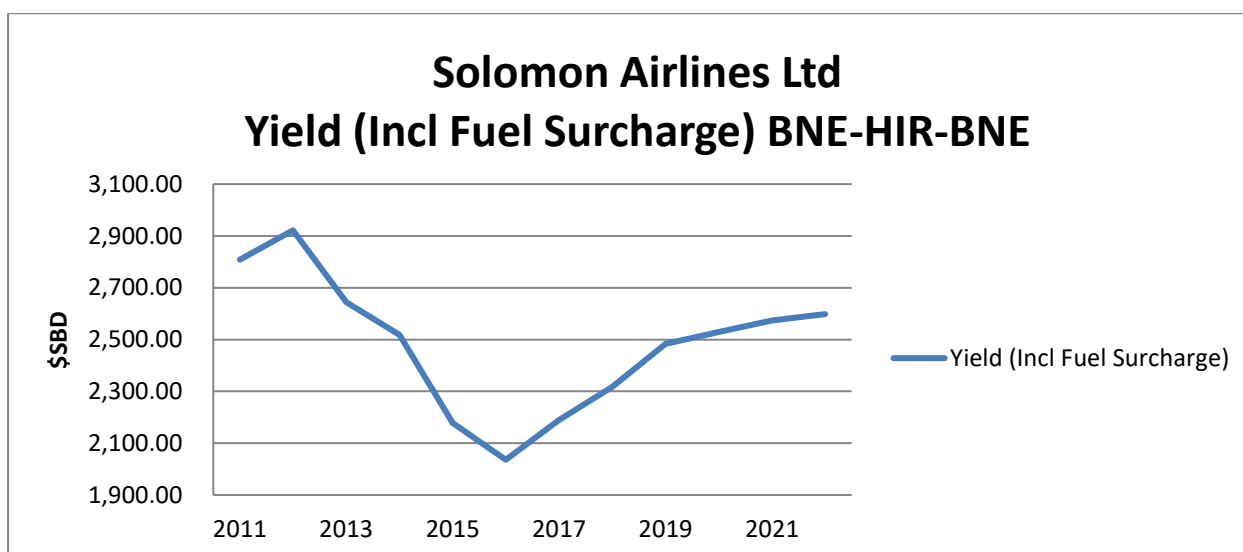
## Appendix 3

## International Pax Numbers



1. With introduction of the A320 pax numbers for Solomon Airlines increased in 2010.
2. Further increases were seen in 2011 and 2012
3. With the cessation of RAMSI mission, the A320 C Check in 2013 and 2016 and then the floods in early 2014 the market has declined.
4. 2016 saw a continuation of the decline in the Brisbane market, the slight rise in pax numbers being the result of the cessation of the Sydney service.
5. Numbers above for 2019 are actual to Oct 2019 and thereafter budget
6. Growth in the market as a whole has returned in 2017 and IE, with its code share partner Qantas, have secured a larger share of the market driving increases in 2017, 2018 and 2019 and into the forecast period.
7. The addition of a 5<sup>th</sup> service via Munda in late 2018 has further grown pax numbers
8. Growth in 2020 will be reduced by the cessation of the ACMI service from HIR to TRW which will remove approx. 2,200 pax from the market for IE.

## Appendix 3



1. Yearly Yield Graph is based on Revenue Accounting figures.
2. All figures include the Fuel Surcharge for 2014 and prior. From 2015 international fuel surcharges have been removed
3. There has been a year on year decline in yields which accelerated in 2013. The business market generated by RAMSI and its associates, who would fly at short notice, is not as large as it once was.
4. The decline in yield is explained by the increasing capacity and declining load factors on the Australian sectors from 2014 onwards
5. 2017 saw the start of a recovery in yields, with yields average for the year of \$2,189
6. Yields for 2018 continued to improve and this trend has been reinforced in 2019 with YTD yield to October 2019 at \$2,483.
7. Small increases in yield are forecast in the budget period 2020-22

## Appendix 4 – Domestic Pax Nos

Solomon Airlines Ltd																		
Domestic Passenger Estimate		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total		2020	2021	
Pax for 2019		9,020	6,254	8,300	7,589	7,569	8,315	8,605	6,719	6,537	7,231	8,152	9,940	94,231		101,607	103,372	
Market "natural" increase	3.5%	316	219	291	266	265	291	301	235	229	253	285	348	3,298	2.0%	2,032	2,067	
Manoba - 1/2 year		-	-	-	-	-	-	-	-	-	-	-	-	-				
Paraisi - 3/4s year		-	-	-	-	-	-	-	-	-	-	-	-	-				
Lom-Lom, new DHC8		-	-	-	-	-	-	-	-	-	-	-	-	-				
Yield Mgmt		-	-	-	-	-	-	-	-	-	-	-	-	-	0.0%	-	-	
X2	2.50							346	346	346	346	346	346	2,078		1,732	866	
Dash 8 C Check									1,000	1,000				2,000		2,000		
Estimated Pax Nos		9,336	6,473	8,591	7,855	7,834	8,606	9,253	8,301	8,112	7,830	8,784	10,634	101,607		103,372	106,305	

## Appendix 5 – Intl Pax Nos – BNE-HIR-BNE (Mua)

2019 Actual/Budget			Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
IE			2,525	1,672	2,282	2,280	2,234	2,290	2,674	2,241	2,531	2,514	2,529	2,718	28,490
QF			576	612	783	717	793	737	811	767	820	785	726	781	8,908
DI			1,175	931	846	1,169	1,186	1,152	1,288	1,132	1,173	1,365	1,329	1,428	14,174
ON			65	48	22	73	39	141	42	45	20	4	-	-	499
Total			4,341	3,263	3,933	4,239	4,252	4,320	4,815	4,185	4,544	4,668	4,584	4,927	52,071
Bne-Mua			84	33	87	233	174	203	187	293	237	278	346	346	2,501
Total per Ops Pax Stats			4,425	3,296	4,020	4,472	4,426	4,523	5,002	4,478	4,781	4,946	4,930	5,273	54,572
Assumed market increase	2.0%		87	65	79	85	85	86	96	84	91	93	92	99	1,041
2020 Market (before Munda)			4,428	3,328	4,012	4,324	4,337	4,406	4,911	4,269	4,635	4,761	4,675	5,026	53,112
IE			2,446	1,839	2,216	2,389	2,396	2,434	2,713	2,358	2,560	2,630	2,583	2,776	29,341
QF			765	575	693	747	749	761	848	737	801	822	808	868	9,174
DI			1,217	915	1,103	1,188	1,192	1,211	1,350	1,173	1,274	1,309	1,285	1,381	14,597
ON			-	-	-	-	-	-	-	-	-	-	-	-	-
			4,428	3,328	4,012	4,324	4,337	4,406	4,911	4,269	4,635	4,761	4,675	5,026	53,112
Market re-distribution															
New Aircraft - IE	1.75%				70	76	76	77	86	75	81	83	82	88	794
DI Loss - trend	1.0%		44	33	40	43	43	44	49	43	46	48	47	50	531
Distn to ON															
Re-distribution from DI			44	33	110	119	119	121	135	117	127	131	129	138	1,325
Qantas code share on MUA from July (1 service/week, one way)															
Munda (Pax lost IE to QF)									9	9	9	9	9	9	54
Addnl QF Pax									78	78	78	78	78	78	468
			4,428	3,328	4,012	4,324	4,337	4,406	4,920	4,278	4,644	4,770	4,684	5,035	53,166
Loss of TRW through traffic															
TRW Loss - IE reduction					200	200	200	200	200	200	200	200	200	200	2,000
			-	-	200	200	200	200	200	200	200	200	200	200	2,000
Market Shares															
IE			2,490	1,872	2,126	2,307	2,315	2,355	2,639	2,267	2,479	2,552	2,502	2,706	28,611
QF			765	575	693	747	749	761	826	815	879	900	886	946	9,642
DI			1,173	881	992	1,069	1,073	1,090	1,215	1,056	1,146	1,178	1,156	1,243	13,272
ON			-	-	-	-	-	-	-	-	-	-	-	-	-
2020 Market Estimate - excl MUA			4,428	3,328	3,812	4,124	4,137	4,206	4,780	4,138	4,504	4,630	4,544	4,895	51,536
Check			-	-	0	-	-	-	0	-	0	-	-	-	0
Market Shares - % (incl MUA)															
IE			59.2%	60.1%	59.2%	59.4%	58.6%	59.0%	57.7%	59.1%	58.3%	58.8%	59.7%	59.6%	59.0%
QF			16.1%	15.8%	16.8%	16.7%	17.0%	16.9%	18.3%	17.8%	18.1%	17.8%	17.5%	17.5%	17.2%
DI			24.7%	24.2%	24.0%	23.9%	24.4%	24.2%	24.0%	23.1%	23.6%	23.3%	22.8%	23.0%	23.7%
ON			0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Total			100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Munda															
2019 Pax Nos						233	174	203	187	293	237	278	346	346	2,501
Increase on 2019			320	320	320	50%	50%	50%	50%	50%	50%	50%	50%	50%	
Est 2020 MUA			320	320	320	350	261	305	281	440	356	417	519	519	4,406
Total Bne-Hir wth MUA			4,748	3,648	4,132	4,473	4,398	4,511	5,061	4,577	4,859	5,047	5,063	5,414	55,931