

SPIA in Bankruptcy Proceedings

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Its four trans-Pacific aircraft grounded and facing a cash-flow crunch, South Pacific Island Airways announced yesterday that it had filed for reorganization and protection from its creditors under Chapter 11 of federal bankruptcy law.

"A plan of reorganization is being worked on right now," Jack Dwyer, SPIA's attorney in the bankruptcy proceedings, said yesterday. "The emphasis is to get the (Boeing) 707s back in the air."

The filing was made Wednesday in federal bankruptcy court in Honolulu.

Chapter 11 protection will allow the airline to continue operations, Dwyer said, and "not have to worry about cash flow on current obligations."

SPIA is continuing to operate 35 daily regional flights to 13 island destinations in the South and West Pacific, using four 19-passenger Dash 6 aircraft.

However, its four Boeing 707s used for trans-Pacific flights to various island destinations and Alaska from Honolulu were, in effect, grounded nearly two weeks ago by the Federal Aviation Administration.

THE AGENCY contended that SPIA was not making a good-faith effort to outfit its jets with engine hush kits to bring them



COUNTER CLOSED—South Pacific Island Airways, which has filed for bankruptcy protection, has closed its ticket counter at Honolulu International Airport, but is keeping open its downtown ticket and reservation office. —Star-Bulletin Photo by Mike Tsukamoto.

into compliance with federal noise regulations.

The FAA withdrew noise-exemption certification from the four aircraft, preventing them from landing or taking off at U.S.-regulated airports.

The airline said it is continuing to work in Washington to resolve the issue and also is con-

sidering utilizing other aircraft that meet FAA noise regulations.

SPIA officials emphasized that the airline "retains all operating and certificate authority from the Department of Transportation and the FAA, and that the airline is not grounded."

In its bankruptcy court filing, SPIA disclosed that it was in

relatively sound financial health. It reported assets of \$15 million and liabilities of \$7.4 million.

It showed secured debts of \$4.3 million, owed primarily to Bank of Hawaii for financing on some aircraft and other assets, and \$2.25 million in unsecured debts, basically covering operating overhead expenses.

THE AIRLINE'S largest unsecured creditor is Hong Kong A.C. Engineering, which it owes \$472,788.

Attorney Dwyer said SPIA's reorganization under Chapter 11 would give the airline "some respite on debts coming due so the company would not be immediately destroyed."

Also, it "would allow creditors to come out 100 percent whole," meaning the company eventually would be able to meet all its obligations.

The airline said it "is confident that it will emerge from the Chapter 11 filing on a solid financial and operational footing."

SPIA has closed its airport ticket counter, but is keeping open its downtown ticket and reservation office for the time being.

Reservations for jet service are still being taken with the understanding that passengers make alternate arrangements, a sales representative said yesterday.