

Majuro Chamber of Commerce
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Meeting Minutes

Wednesday, April 12, 2006

Marshall Islands Resort

Meeting called to order by President Jack Niedenthal at 12:01 P.M. Nearly 50 members and guests were in attendance. The next regular meeting will be on Wednesday, May 10, 2006.

- **Minutes** – Minutes of the March meeting were accepted and approved
- **Guests** (completed Chamber Guest Form)
 1. Mr. Ishikeli Fotofili, Owner, Waratah Air-conditioning. This is a new business and Chamber member. The telephone number is 455-1165, and the e-mail is saleswaratahair@connect.com.fj. Introduced by Hirobo Obeketang.
 2. Mr. Rick Aggabao, President, Filipino Association (FAMI). He works at the Port Authority. His e-mail is raaggabao@yahoo.com. Introduced by Dr. Alex Pinano.
 3. Ms. Roylynn Wata, US Department of the Interior Honolulu Office. Introduced by Al Fowler.
- **Financial** - \$5,559.18 balance in BOG account. There are 31 paid members prior to this meeting as follows:
 1. Marshall Islands Journal
 2. Marshall Islands Visitor's Authority
 3. EZ Price
 4. Bako Divers
 5. Majuro Clinic
 6. Micronesian Sales
 7. American Ambassador Morris
 8. Bikini Divers
 9. BCI
 10. Trust Company of the Marshall Islands
 11. Marshall Energy Company
 12. Marshall Islands Resort
 13. Thuy's Restaurant
 14. David Strauss

15. Waratah Air Conditioning
16. Continental Airlines
17. Copy Master
18. Nica Wase
19. Republic of China
20. Air Marshall Islands
21. Joemar Construction
22. Alan Fowler
23. Marshall Islands Mariculture Farm, Inc.
24. Marshalls Broadcasting Company
25. Robert Reimers Enterprises
26. Pacific Pure Water
27. Horizon Engineering
28. United Atoll General Contractor
29. Robert Pinho
30. TSL
31. Bank of the Marshall Islands

- **Presidential Remarks**

- There was a good resolution of a recent Internet problem by NTA in response to Chamber members collectively reporting that problem.
- The Bikini people filed a lawsuit today against the United States Government for pending nuclear claims. Enewetak is expected to do likewise tomorrow. The statute of limitation would have run out had this action not been taken. It is likely that both suits will be consolidated.
- Sam Smith is now the Chairman of the Special Projects Committee replacing Hirobo who is busy as the Chamber's Vice President. The Executive Committee (EC) will be appointing a new Chairman of the Membership Committee to replace Ben Graham who is busy with other duties.
- The EC has been busy meeting with people and discussing Chamber issues each week. The Ministry of R&D has formed a working group of public and private sector members to review and advise the government concerning the pending immigration and labor bills. Jack and Jerry will represent the private sector in this working group. ADB Consultant Mike Mullins who is assisting R&D briefly spoke about the R&D effort.
- WASC is here now examining CMI. Initial reports are favorable.
- It looks like direct surface shipments from Hawaii will be discontinued in the future.
- The Chamber is very interested in activating private sector involvement in the dormant economic advisory council.

- Introduced the guest speaker Robert “Bobby” S. Muller, Chief Secretary, RMI Government. Mr. Muller was born on Ebeye and attended Queen of Peace Elementary School. He attended Xavier High School in Chuuk, FSM. He obtained his Bachelor’s Degree in Economics at Loyola Marymount University in California. He earned a Management Executive Certificate from ADB Institute. In 1991 he began his government career as Economist/Planning Officer with the Office of Planning and Statistics. He has held the positions of Chief of Trade, Industry, and Tourism and Secretary of the Ministry of R&D. He was Secretary of the Ministry of Foreign Affairs. He held the positions of Project Coordinator and Project Manager with ADB. He was recently a Compact Negotiator with the Ministry of Foreign Affairs.

- **Guest Speaker Remarks**

- The current cash flow problem that has resulted in the temporary freeze of disbursements from the general fund was caused by two things: 3.5 million dollar deficit at the end of fiscal year 2005 (05) due to overestimation of tax revenues and dividends in that year; and fiscal year 2006 (06) first quarter 1.4 million dollars advanced for MEC and Kajur to pay Mobil Oil. 5.3 million dollars is still owed to Mobil. A repayment plan is being negotiated with Mobil to spread out this debt over two years.
- Compact funds were separated from the general fund in 05 to facilitate performance reporting. Now the general fund is dependent on tax collections (70%) and ROC grants. ROC contributes 4 million dollars annually in budget support and another 6 million dollars for capital projects. However there has been an approximate one quarter delay in receiving ROC funds until they align their calendar year disbursements with the RMI fiscal year that is expected to occur soon. Most of the ROC funds have been received for 06.
- Revenue in 06 is “on track.” Over estimation of revenues was not done this year. Whereas import taxes are budgeted correctly there was a change in fuel taxes from the previous percentage to the present unit rate. There was a windfall in 05 under the percentage rate when fuel prices rose.
- There were other encumbrances on the general fund during the first quarter 06 such as the continuing practice of “open purchase requisitions.” Also and historically the government has advanced project funds from the general fund.
- The government is looking at adopting a cash flow management system that is tied to its cash accounts. There is the need to avoid quarterly disbursements when revenue comes in incrementally.

- When there is a formal cash flow management system in operation, its results will be published so that the private sector can be informed of the government's ability to pay vendor invoices.
- The freeze on the general fund should end during the second quarter 06.
- Private school funding has been part of quarterly disbursements. Consideration will be given to assigning these disbursements to Compact funding and to do so in a manner consistent with the typical school year as opposed to the government fiscal year.
- This is the first year where everything is part of the capital budget. There are no more separate funds such as the previous "unanticipated foreign revenue."
- In reference to Ben Graham's recent report, the size of the civil service has an impact on payroll, and the RMI is in a fiscal crisis. There has been a repetition of the same thing that occurred at the early part of the first Compact where payroll steadily rose to siphon off too much of the available government funds. Government realizes that the current payroll is not sustainable.
- The Chief Secretary has been authorized to work in the context of an ADB technical assistance grant to review the delivery of government services. This will include a personnel review.
- The RMI is not in arrears with ADB payments. 05 ended with all payments having been made. It is expected that 06 will end with all payments having been made. There are discussions regarding the non-performance of the first five ADB loans. However and since there are loan agreements, these loans are obligations of the general fund.
- 06 hiring has not caught up with the budgeted number of positions.
- There is little attrition in the government payroll. People who are supposed to retire don't.
- There is an economic advisory council with private sector participation specified. However this body is not yet functioning.
- Government needs to reduce administrative barriers that affect private sector labor work permits. The volume of calendar year 2005 work permits was a total of 325 where 95 were applications for new work permits and 230 were applications for extension of a work permit. There has been understaffing in the Labor Department with only two people who had other obligations that reduced their "desk time."

- There is an unofficial change of the Chief of Labor. New interns have been added to do data entry. Other staff has been realigned. There are now 4 people in the Labor Department. There is an ongoing review of internal procedures. This department will be producing a timeline for labor permit processing that will probably result in a future 14 – 21 working day deadline.
- There is an ADB technical assistance project ongoing to reduce administrative barriers as would affect the proposed amendment to the labor law.
- In that government foreign workers have to produce medical and law enforcement clearances as a condition of their standard government contracts that specify that the government will supply the necessary work permits, there is no practical exception for government workers as compared with private sector workers.
- If a government worker is paid from the general fund, s/he is part of the Public Service Commission (PSC) oversight. Organizations such as the Port Authority have their own budget and not subject to PSC.
- The government received good private sector input at the labor bill hearing. Government should take another look at this proposed legislation based on that input.
- If local Marshallese professionals are not available, private sector contract conditions between employer and employee should not be under government purview. The only issues that affect an approval of these work permits are the necessary medical and law enforcement clearances.
- Private sector input is welcome on the Chief Secretary's draft employee policy [that has already been circulated to Chamber members].
- There is still a barrier between the public and the private sector. The public sector perception is that the private sector hasn't always been honest in its communication with government.
- A good labor law will be a litmus test of government sincerity in wanting to accomplish real private sector development.
- Pending Cabinet approval, a contract has been signed between MIMRA and Shanghai Deep Sea Fisheries Association that is owned by a province in the People's Republic of China for the operation of the tuna loining plant. This business opportunity was widely advertised. There were few interested parties. Some of those who did apply did not have the necessary capital to sustain this kind of a business that includes plant renovation and annual operating costs. This was the problem with the previous owner – undercapitalization resulting in that business closing. The approved

company will operate their own fishing fleet and land their own tuna on Majuro. They will have a five year gross receipts tax holiday as is available to any significant foreign investor. Because they will be operating the tuna loining plant and under existing law, they will be exempt from paying the minimum wage. But unlike the previous operator, they will have to pay all other taxes. The due diligence that MIMRA exercised with this contract was based on the experience gained with the previous operator.

- **Committee Reports**
 - **Government Relations** – Jerry Kramer
 - **Business and Trade** – Liz Rodick and Neal Skinner

Will higher shipping rates happen and will they equal higher prices to the customer?

Shipping Developments into the Marshall Islands

Last week we had a visit to Majuro from Senior Vice President of Matson Navigation Company's Pacific Division, Gary J. North. His visit was to discuss future options in shipping to the Marshall Islands. Rumor has it that the Barge Islander service from Honolulu to the RMI will be terminated but this has not yet been determined. It is still an option. Matson is concerned about future growth and efficiency. One of the drawbacks to the Barge Islander is that the tug that pulls the barge uses diesel fuel which is more costly than bunker fuel which is what ships normally use. The loss of Johnson Atoll shipments and a cutback of containers going into Kwajalein have further hurt the profitability of the barge Islander. Lack of profitability will eventually lead to higher freight rates.

One option is shipping all Majuro west bound cargo directly to Guam and transshipping on a 14 day cycle to Kwaj, Ebeye, Majuro, Kosrae and then Pohnpei in that order, returning to Guam. Matson would have to purchase a ship to handle this transshipping service. Shipment time from the west coast and Hawaii would increase by about 6 days to Majuro. Matson sees this option as being more economical in the long run, servicing more islands and being able to provide better service which will allow our rates to stay the same. This ship would also be able to handle eastbound shipments from Asia via Guam to our islands, again on a 14 day cycle.

Phil Welsh of Micronesian Shipping Agency sees this new Matson bi-weekly service option from Guam as a natural evolution to shipping in the region. He did mention that there were two other bids to the MSC meeting in Pohnpei for service into the region. One was through Palau Shipping also out of Guam and the other Horizon Lines coming from the West Coast and Hawaii. Unfortunately, the reality of Horizon being able to compete with Matson does not look good.

US Postal Service (USPS) into the Marshall Islands

Some interesting FACTS from the recent meeting with Hawaii Postal Director Leo Tudela at the April 5th Executive Meeting of the Chamber. The USPS has been paying

about 2.2 million dollars annually to provide air service to the Marshall Islands. This works out to the USPS only recovering approximately one dollar out of every five dollars spent facilitating our postal service. The freight rate we pay here at our post office for mail going to the states is not given to the USPS. The concept that the US Government reimburses the USPS for air service expenses is not always the case as repayment is from a payment list with the USPS being about 9th on that list. If there is not enough money left, the payment is not made or it is reduced. As the USPS is a standalone US Government Business with no subsidy from the US Government, these types of added expenses are a burden on that business.

The purpose of the USPS visit to Majuro last week was to review service. It impressed me that even with such a financial burden put on them, the USPS is still trying to do the best job they can. Late mail is unacceptable and will be looked into. A new contract is to be awarded for Standard Mail (surface or container shipments) shortly. Registered and Insured Mail will most likely be reinstated. All good things! A big Kommol Tata needs to be given to the USPS for all its efforts both past and present.

- **Financial Services** – Jim McLean
- **Tourism** – Bill Weza

1. PATA Micronesia meeting in Chuuk State March 23-27th. PATA Micronesia formed a Political Action Committee to assist member NGO with relationships with their respective governments.

2. Guam Hotel and Restaurant Show / Military Trade Show. Guam April 3-8. Participated in the Hotel and Restaurant trade show, and the first Annual Military Travel Show at Anderson Air Force Base. Due to the military build up in Guam and the restrictions on travel to Southeast Asia we are seeking to educate the Military on the wonders of Micronesia.

3. Marine Dive Show Tokyo Japan. Satoshi Yoshii is participating in the Marine Dive Show in Tokyo representing himself, Marshalls Dive Adventures and MIVA. He is joined in Japan by the MIVA Sales Rep who represents MIVA in Japan.

4. There is a considerable interest in Diving Kwajalein, Steven Eisenberg of Scuba Diving Magazine is currently in Pohnpei doing a feature in diving. Steve is in contact with MIVA on anything to do with Kwaj.

- **Transportation** – Salome Andrike
- **Communications** – David Strauss
- **Education** – Carlos Domnick

1. Education

- a. Results of the Pacific Islands Literacy Levels (PILL) Test on last week's Journal – It shows that our students are improving in their English language skills but not in Math
- b. Recycling Company – Two Guys Recycling Company. There is a recycling company in Majuro and they take aluminum cans and copper.

It's \$.20 per pound for aluminum can and \$.15 - \$.60 per pound for copper depending on the type of copper.

2. CMI
 - a. Thanks for donations to CMI Foundation Day
 - b. WASC Visit April 11-14, 2006. They are happy with the progress the College is making to meet the eligibility requirements but they are not happy with how the Teacher Quality Grant was managed.
3. Majuro Coop School
 - a. Thanks for donations to Coop PTA's Time Capsule Ball II
 - b. Coop School's Talent Show is coming up so look forward to solicitations of donations

- **Health** – Dr. Alex Pinano

The Ministry of Health reports 7 new cases of typhoid fever on Majuro. This disease can be prevented with clean drinking water and food.

- **Environment** – Don Hess
- **Membership and Public Relations** – Ben Graham
- **Special Projects** – Sam Smith

NTR (nothing to report)

Newly appointed and no special projects have been assigned or agreed upon.

Old Business

Bill Weza delivered the \$250 donation to the Marshallese secondary school student in Hawaii, toured the school there, and found everything to be in order.

New Business

Meeting adjourned at 1:30 PM.

Minutes prepared by:

Jim McLean

Approved _____
Approved with Corrections _____