

Marshall Islands Chamber of Commerce

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Meeting Minutes

Tuesday, May 8, 2007

Marshall Islands Resort

Meeting called to order by President Jack Niedenthal at 12:01 P.M. Approximately 25 members and guests were in attendance. The next regular meeting will be on Tuesday, June 12, 2007.

- **Minutes** – approved electronically prior to the meeting

- **Guests**
 - Adam Mitchell, Junior Foreign Service Officer, Economic and Political Specialist, US Embassy
 - Lt. Cmdr. Yuri Graves, US Coast Guard, Security and ISPS Security

- **Chamber President remarks**

I don't know whether anyone has noticed, but MEC is no longer a member of the Marshall Islands Chamber of Commerce. I believe the reason for this is that some members of the business community, members of this Chamber, have been very critical of the way MEC has been managed over the past several years. That's too bad, that's our loss; I wish they were still members. If my company were in trouble, without any fear whatsoever, I would want to hear the criticism and the debate about the reasons why. I think MEC is a very conflicted organization. On one hand they hold their information close as if they were a private company and are therefore entitled to a certain amount of privacy, indeed, they were chartered as a "for profit" corporation, but on the other hand MEC has been consuming an ever-increasing amount of public funds to keep itself in operation.

One of biggest, fundamental management flaws at MEC has been that they have failed to save any funds for the proverbial rainy day. There has never been any cash reserve build-up--even before the dramatic fuel price increases that began in 2005. This has prevented them from negotiating from a position of strength, whether it be with Mobil, SK or the banks. Over the past year there has been some talk of giving the \$4 million in TCDs that MISSA holds at BOMI to MEC, who would then pay MISSA a higher interest rate, the logic being that it would be a good "investment" for MISSA. MISSA refused this great "investment" offer. Why? Because those TCDs that MISSA holds at BOMI represent a good business practice. Those TCDs are MISSA's short term cash reserve should their revenues fail to meet their expenses sometime in the future.

We, as business people, need to ask: Where was MEC's contingency plan? Where is MEC's contingency plan now? Where was the vision for the future, and where is that vision now? I demand, as a taxpayer, as a member of the business community, as a citizen, and as a father, to see the plan for this recent \$12 million loan that the Bank of Guam has so generously given to MEC. And I am talking about dollars and cents and details, not a three-sentence quote in the Journal by management telling us that everything is fine now. What debts are being paid off by this loan? How much are these debts? What is the interest rate? What was used as collateral? When these debts are paid off, how much of the proceeds will be leftover and what will these excess funds be used for? And how long will these monies keep MEC in operation, i.e., when will we again be hearing the scrape, scrape, scrape of government hands scouring the RMI for loose change to prop up our energy company? If you are going to use public funds to operate, then the public has a right to know the details of your plan.

I know some of these words and opinions may seem harsh because we are talking about friends, family members, and politicians, some of whom we admire, and some of whom we believe are great people, but the plain and simple fact is that all of us need to be asking questions about our energy company at this point because their management decisions are going to effect every man, woman and child of this country, and moreover, all of our businesses and our livelihoods.

Look at what has happened over the past several months:

*The government misused US Compact funds to cover for MEC during one critical period when they were short of money to buy fuel.

*The government misused trust fund money given to them by Taiwan to cover for MEC when they were again short of money to buy fuel.

*The special MEC/government committee twice tried to take a run at the sacred MISSA trust fund to cover for MEC and its funding needs.

*How many times in the last year have we heard the countdown of days, hours and minutes until the fuel shipment arrives versus how many gallons of fuel we have left in the storage tanks to keep the power plant running?

These are not cries for help; these are screams. MEC, and the way it is being managed, is threatening to take down the entire country. No matter who you are, think hard about this previous sentence. As I said, the issues surrounding MEC go well beyond who your family members are, who your friends are, or what political party you favor. The bottom line here is that MEC needs a complete and total makeover including the management, the Board, and the way it operates. The needs of the organization have overtaken the people responsible for its care. I am sure this is not an easy statement to digest because, again, this involves some really nice people all of whom we have known for a long time.

It takes courage to change; it takes courage to give up power; it takes courage to look at something and say that it isn't working and that it needs to get fixed immediately and that some people need to be replaced because they can't deal with the needs of the organization. It also takes intelligence, strength, will power and confidence.

It has happened before in the RMI. I, for one, have come to believe that no situation, no matter how deep the hole has become, is devoid of hope. In 2000, when the newly constituted MISSA Board replaced the former administrator at MISSA, our Board was heavily criticized by a lot of people for our quick and drastic action. When the last President of CMI was asked to resign in early 2005, I had some people I really respect tell me that our Board was making a huge mistake and that he should be given yet another chance. The past President of CMI had a lot of friends in this community; he had been here in the RMI for a while, and he wasn't a bad person: He was just the wrong person for the job at the time. I was the one, by myself, who had to tell him that he was being asked to resign, and that wasn't a pleasant task, it was awful, it nauseated me: However, just as it was at MISSA, it had to be done for the greater good, for the good of the country: And this has to be the focus of our ultimate decision makers right now when it comes to MEC.

One of the problems with MEC's Board right now is that there are politicians—Nitijela members—on that Board. The Journal has repeatedly held up both CMI and MISSA as examples of why this is not a good policy. When our government removed the politicians from those Boards, they both turned on a dime. The government, in this case, has set its own example. Why has it not been replicated at MEC?

Let me be very, very clear on this last point: I am not saying these politicians involved are "bad" people, in fact, some of them are just the opposite, some of them are, indeed, excellent public servants, but they just shouldn't be on these Boards. Indeed, with regard to the CMI Board, the Minister of Education, Wilfred Kendall, introduced the Bill that removed himself, the Minister of Health and the Secretary of Education from the Board. That was a very unselfish act, but he had to do it for the sake of the institution, and moreover, for the sake of the country. Politicians by their very natures have a different set of goals, as they should, but most of them aren't the kind of cost cutting, revenue raising, efficiency driven goals that a representative from the private sector can push for on a Board. Why would a politician want to be responsible for raising power rates or for making a daring move such as replacing management in a time of crisis?

The overriding purpose of what I am saying here today can be boiled down to this: With this latest infusion of \$12 million from the Bank of Guam to MEC, our country has a small window of opportunity to take a hard look at the entire MEC organization. It is my firm belief that if MEC doesn't get reorganized immediately using these funds as a foundation for change, a golden and perhaps final opportunity will be lost, which will just open the door for the SKs of this world, and life as we know it in the RMI, our futures, will not be changing for the better.

I know what I just said is heavily laden with my own opinions. Because of that, I would now like to open the floor for any discussion relating to what I have just said, even if you don't agree with me, because I think the time is ripe for this discussion by our Chamber. Thank you.

- **Discussion from the floor**

Mike Slinger inquired whether MISC discussed MEC management. Other members asked what MISC is. Jack explained that Marshall Islands Service Corporation (MISC) is a privately held company incorporated in the Marshall Islands about a year ago. He, some other BOMI Board members and others have privately invested in this company. It has nothing to do with MEC nor has there ever been any aspect of MEC discussed by this new company. In fact, the only business that this new company has engaged in to date is the Farmer's Market near the RRE parking lot.

Ben Graham noted that Jack's comments were accurate and also reflected the situation with other state owned enterprises in the Marshall Islands.

Sam Smith inquired whether we should be concerned about electricity rates given the new MEC Bank of Guam loan.

Mike Slinger recommended that the Chamber should invite MEC management to attend a future Chamber meeting to discuss these issues. Other members agreed.

Bill Weza suggested that MEC and NTA didn't join the Chamber because of the recent change in bylaws involving potential political activity.

Ben Graham informed Chamber members that MEC like NTA does have shareholders but of a different kind – proxy shareholders. The Cabinet represents those proxy shareholders. MEC is therefore accountable to the Cabinet, and the Cabinet exercises shareholder oversight of MEC.

Other members observed that MEC is not the only government owned entity that is in trouble only the most prominent because of its importance regarding the supply of electricity. Also and because of the extent of its financial difficulties, it forced the government to raid the Taiwan Trust Fund and inappropriately borrow from Compact funds.

Chamber members generally agreed that the level of MEC service is still among the highest in the Pacific and that there might be unknown constraints on MEC management such as MWSC losses, outer island solar and power plant costs, and government Board members not allowing MEC to maintain a cash reserve.

- **Committee Reports**

Government Relations –Jerry Kramer

No report.

Business and Trade – Neal Skinner

No report.

Financial Services – Jim McLean

No report.

Tourism – Bill Weza

The recent traditional mats activities including a silent auction netted its organizers \$3,000. The outer island lady who won the \$1,000 grand prize was from Utrik.

Bill read a letter from Satoshi that repeated a warning from JAL regarding the Ports Authority failure to obtain a “push back tug” to handle JAL flights. If the now scheduled June 30th JAL flight has to be cancelled because the tug does not arrive, there will not be any more JAL flights to the Marshall Islands.

The company that the Ports Authority purchased the tug from has gone bankrupt. The representative from that company that came to the Marshall Islands has been fired. That company lied all along about the whereabouts of the tug. It is still sitting in Jakarta and never was in New Zealand. The Ports Authority didn't tell the truth about the tug being “on the water” on its way to the Marshall Islands.

People are beginning to come to the Marshall Islands now to tag marlin to track their migrations. The Billfish Club is involved in this new development.

Communications – David Strauss

No report.

Education –Carlos Domnick

No report.

Health – Dr. Alex Pinano

No report.

Environment –Don Hess

The recent high waves destroyed what was left of the seawall at the dump. We are working on rebuilding that seawall as best we can while we're looking for the necessary funds to replace it. We're discussing the acquisition of new garbage bins from Taiwan. We expect to see garbage pickup beginning in Rita using essentially the recommendations of the recent ADB TA report regarding the smaller types of bins to use.

We are still in discussions regarding the MALGOV tax revenue that should go toward solid waste disposal.

Membership and Public Relations – Liz Rodick

No report.

Special Projects – Sam Smith

The Harlem Ambassadors are seeking a sponsor for a possible trip here near the end of the year. It appears that no one wants to fund this organization and pay the required \$4,000. People report to me that they lost money the last time that this group was here.

Meeting adjourned at 1:30 PM.

Minutes prepared by:

Jim McLean

Approved _____

Approved with Corrections _____