

Marshall Islands Chamber of Commerce
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Meeting Minutes

Wednesday, February 9, 2011

Marshall Islands Resort

Meeting called to order by President Steve Philips at 12:00 P.M. Approximately 35 members and guests were in attendance. The next regular meeting will be held the week of March 21st, 2011, unless otherwise scheduled to accommodate a guest speaker.

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

- **Guests**

- Jack Chong Gum, Ports Authority General Manager
- Lawrence Kimmel, American Embassy
- James Bing, Ports Authority Director
- Suzanne Chutaro, Ports Authority Director
- Josephius Tiobech, Deputy Director, Ports Authority
- Bruce Bilimon, Ministry of Finance
- Rowena Movalo, Comptroller, Ports Authority
- Lee Burns, Professor in Taxation Law, University of Sydney

- **Chamber President's opening remarks**

Welcome to the first Chamber of Commerce meeting this year. Please join me in welcoming our three guest speakers.

- **Roger Cooper's remarks**

I represented the Chamber last December at a PIPSO meeting in Fiji. There are trade opportunities with Fiji. I particularly noticed grocery items and construction materials. PIPSO will come here in May to visit with us. There is money available for Chambers of Commerce development.

I've resigned as General Manager of the Waste Company to relocate to Guam. The landfill is full, and EPA has issued a cease and desist order specifying only limited use of this facility subject to other options becoming available. Options could include a new seawall to make more space available or a new site. Public Works is involved. An interim manager has been located to serve following my departure. The landfill is accepting inorganic trash for now but could close at any time as space runs out or when it might become necessary to move mounds of trash away from the entrance. The Waste Company is still making trash pickups but has slowed commercial pickup to two days a week. The only reason that the landfill is still open is to keep trash off of the street.

- **Lee Burns remarks**

I'm here representing the IMF to assist in the writing of tax laws to implement the recently completed Tax Reform Commission report's recommendations. I've made a start on the recommended business income tax and consumption tax. I'll be back in a few months to continue this work. It's clear from the Commission's work that there will be a revenue crises in about five years if changes aren't made. The Commission's report was good.

There is a unique tax system here with a gross receipts tax and where the primary source of revenue comes from import duties and wages and salaries. The lack of a business income tax discourages foreign investment because other countries usually do not recognize foreign gross receipts taxes paid as qualifying for a tax credit. The Commission's recommended consumption tax will become a value added tax (VAT) that is called the Marshall Islands Consumption Tax.

My goals are to minimize book to tax adjustment and to keep the legislation as simple as possible where future changes can be accommodated with revised regulations that are authorized by the legislation. This is possible here because there aren't many complex transactions.

Secretary's note: During the question and answer session with Professor Burns several chamber members mentioned the importance of implementing the CAP Commission's recommendations at the same time that tax reform is accomplished.

- **Jack Chong Gum's remarks**

We've proposed to add new duties and raise some existing fees in accord with the Administrative Procedures Act. Only foreign diplomats carrying diplomatic passports are exempt from the departure tax. Only increased navigation light fees will affect Continental. We've been instructed to pay \$500,000 to the general fund during fiscal year 2011. We haven't paid it yet. We don't know what would happen if we didn't pay it. Even without paying this and without raising our fees our projected 2011 operations will result in an \$866,000 deficit. And that includes the assumption that we collect over \$200,000 from Air Marshall Islands. In other words, we need to increase fees even without paying \$500,000 to the government. Even considering fee increases we are liable for 5% of a 17 million dollar road realignment project that was stalled for several years following the passage of the Land Reclamation Act. The Ports Authority has also contracted with a local business to replace two harbor markers that sank. The airport typically runs at an annual \$300,000 deficit that has to be subsidized by port operations.

Secretary's note: During the question and answer session some Chamber members expressed a view that too much emphasis is being placed on increasing landowner rental fees that will adversely affect the Ports Authority and ultimately will result in increased costs being passed on to the private sector. This will retard business development. Chamber members unanimously recommended that the departure fee increase be capped at not more than \$25. In response to lagoon security questions it was pointed out that the Uliga dock is controlled by MIMRA and not the Ports Authority. However and with the fee increases a Ports Authority boat will be used to ferry crewmen to and from shore for a fee. This will improve security and reduce smuggling.

- **New business - none**

Meeting adjourned at 1:15 PM.

Minutes prepared by:

Jim McLean