

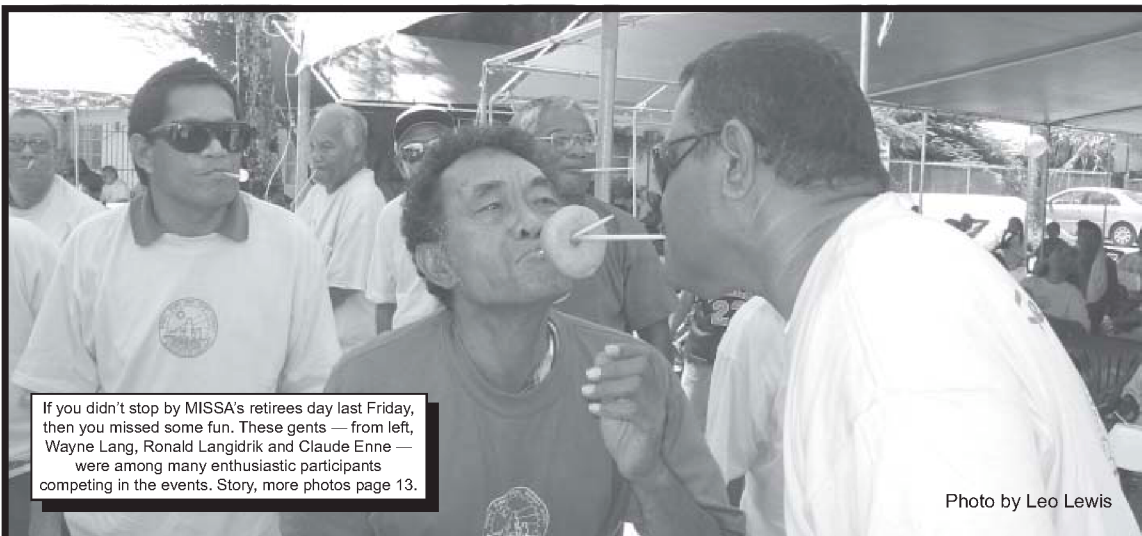
THE MARSHALL ISLANDS JOURNAL

Volume 36, Number 27 • Friday, July 8, 2005 • 75¢ on Majuro

journal@ntamar.net

WHO'S NEWS?

Greta Morris, P3; Carlos Domnick, Bobby Muller, Phil Marshall, and Jerry Kramer, P4; David Cohen, P6; Lionel Aingimae, P8; Neal Skinner, P10; Ronnie Reimers, P15; Bwiji Aliven, P16; Jejwarick Anton, P20; Anote Tong, P25; Botlan Loeak, P29.



If you didn't stop by MISSA's retirees day last Friday, then you missed some fun. These gents — from left, Wayne Lang, Ronald Langidrik and Claude Enne — were among many enthusiastic participants competing in the events. Story, more photos page 13.

Photo by Leo Lewis

MEC: Mobil holds Majuro hostage

MEC could run out of fuel for the power plant — meaning the lights would go out in the capital — by the end of July, and MEC officials are pointing fingers at Mobil, saying the oil company is using “blackmail tactics” to gain an unreasonable 600 percent increase in diesel fuel prices.

The diesel supply contract between Mobil and MEC expired late last year and on-and-off negotiations have produced no result to date. The lack of a contract resulted in Mobil telling MEC late last month that prices will rise and it will now have to pay millions of dollars in advance of diesel shipments — a demand that was sharply criticized by MEC.

MEC claims that Mobil and MEC had communicated in early May about a tanker delivery for

Power plant to run out of fuel?

early July, but that Mobil delayed providing any pricing information until late June, effectively preventing MEC from getting the needed fuel delivery by the end of this week.

In documents obtained by the Journal, Marshalls Energy Company general manager Billy Roberts said in a June 28 letter to Mobil

that “Mobil appears to have manufactured the delay so as to place MEC at an unfair disadvantage at the negotiating table, thereby ensuring that a fair and mutually acceptable contract could not be negotiated.”

Mobil claims that MEC has diesel supplies now on hand to get it through the end of August, but Roberts responded Mobil has customarily refilled MEC's tanks when it gets to the 1.5 million gallon level to insure MEC doesn't run out of fuel.

Asked for comment, Roberts said he was not able to provide information on the Mobil situation.

Roberts in a letter late last week to the MEC board obtained by the Journal said that in August 2004 negotiations, Mobil said it wanted

Continued page 4

First two HIV cases in Majuro

Report from Ministry of Health: P19

APA to stop mail flights to RMI P3

John Silk still wants the dry-dock: P2

Ching Fu sets ultimatum

The proponents of the floating dry-dock project said Monday that while they disagree with the findings of the Marshall Islands Environmental Protection Authority, they accept the decision.

But the Taiwan company behind the dry-dock has given the RMI government four weeks to find an alternate site with adequate infrastructure, or it will look to other island countries for a home for the dry-dock.

Ching Fu RMI Shipyard Company head Steve Chen said that the economic opportunity that the project presents now rests squarely with the Marshall Islands government.

Chen said that the EIA process, and significant additional uncertainties associated with land tenure and seabed rights, left the company in a difficult position.

"There's now a limited window of opportunity for the RMI government to secure this project," he said. "Within a matter of about four weeks, we will have no option but to shift our main focus to other locations where governments have expressed an enthusiastic interest in hosting the floating dry dock project. This includes Fiji and Kiribati; the Federated States of Micronesia is also a possibility."

Chen said that construction of the floating dry-dock was all but complete, and the timeframe for securing a site in the RMI had already gone far longer than planned.

"We are not inclined to invest significant additional resources in locating and negotiating an alternative site in Majuro," Chen said. "We will need to look at other locations, and soon."

"If the government wants to secure this

RMI given four weeks to find another site

project it has an opportunity to do so if it acts quickly. The challenge is for the RMI government to put together an acceptable package — covering all of the elements required to secure this project, including a suitable site." Chen said he has written to the President detailing the elements of an acceptable package.

"We hope the Marshall Islands does not miss this opportunity," Chen added. "The floating dry-dock investment would boost the country's economy by some 11 percent, and help enable the RMI to maximize its return from the Pacific fishing and shipping industries. It would also generate 80 desperately needed jobs in Majuro."

"It would be extremely unfortunate for the Marshall Islands economy if this project were lost to another country. It could harm the reputation of the RMI as a destination for private sector investment. At a more personal level, it would be tragic for the families of the 15 Marshallese who we have trained recently in Taiwan, and would have to let go."

Chen said that the company hoped a workable solution could be found in the very near future.



Minister John Silk

Silk: Board independent

The RMI EPA's decision to reject Uliga as the site of the proposed dry-dock shows that the EPA has an independent board of directors, the Minister of Resources and Development told the Journal this week.

"It shows that nobody in government tried to influence the EPA," Minister John Silk said. Before the decision, some dry-dock opponents questioned whether EPA board members could make an independent decision, Silk said. "The board's decision dispelled those false accusations," he said. The government accepts the ruling and wants to move forward.

Govt. still keen to have dry-dock

Despite the RMI EPA's decision against Uliga as a location for the proposed Taiwan dry-dock, the RMI government is still keen to bring the dry-dock to the Marshall Islands.

"The government is hopeful that within the next

couple of weeks it can assist Ching Fu to find a suitable location," R&D Minister John Silk told the Journal on Tuesday, commenting on the EPA decision and a Ching Fu response to that decision.

"We'll have to look into whether that means the government has to invest in infrastructure to support the dry-dock," he said.

Silk believes that the economic potential of the dry-dock is huge. "The economic benefits are enormous, not just in direct jobs, but in use of hotels, car rentals and other spin-off jobs," he said. Despite the EPA ruling, Silk said: "I'm hopeful that we can have the dry-dock in Majuro."

He also said that Majuro shouldn't be looked at as the only option. He thinks that the outer islands of Jaluit and Wotje have potential, as does Kwajalein Atoll. Each

has certain disadvantages, but of the two outer islands, Jaluit might be an option because it is better developed, he said. "We'll look at options and talk with the company to see if accommodations can be arrived at."

"I'm an optimist," he added. "I hope that we can still salvage something."

Silk said that he wished that the business community was more supportive of the dry-dock plan, and hopes that a more "can-do attitude" develops here, instead of what he perceives as criticism that the Taiwan company is just going to give business to other Taiwan companies.

The dry-dock offers multiple opportunities to local companies, whether they be Marshallese-owned or legally established foreign investors. "The opportunity is there," he said.

US EPA here for radiological lab

RMI EPA officials specifically requested assistance from the US Environmental Protection Agency to check the former radiological laboratory for hazardous materials, and also the PMOP loining plant, where there is a hazardous ammonia leak. They were not requested to come to Majuro to review the dry-dock, but once they were here the opportunity presented itself, according to RMI EPA officials.

Last week, they were going to check the Uliga site for the proposed dry-dock — but after the RMI EPA board last Tuesday rejected Uliga as a viable site, there was no need for the US environmental officials to check that spot.

Instead, it was decided that they could check the existing dry-dock that is next to the Delap Dock.

Mail plane drops RMI service in two weeks

By GIFF JOHNSON

Asia Pacific Airlines will stop carrying mail to the Marshall Islands in about two weeks, a development that is expected to seriously disrupt the flow of mail into the RMI and possibly impact longline tuna exports from Majuro.

A combination of rising fuel prices, high fuel taxes in the RMI, lower-than-promised mail volumes, and difficult-to-work-with US government agencies forced the decision, according to Asia Pacific Airlines (APA).

"APA has lost too much money to keep operating as we have been doing," Mike Quinn, APA's California-based president, told the Journal. He said that he was hopeful that talks between Continental and US Postal Service officials over the past two weeks would offer some "relief" and allow APA to withdraw its termination letter — but no results have been forthcoming.

APA has carried the mail under sub-contract to Continental Airlines since October 2004. APA is expected to take halt service in about two weeks.

Continental's four-year contract with the US Postal Service (USPS) combines mail delivery to the RMI, Federated States of Micronesia and Guam.

Continental does not have capacity to carry all the mail, which is why it sub-contracted with APA. In addition, since the September 11, 2001 terrorist attacks, mail items over one pound cannot go on passenger planes unless they are properly screened. APA's termination is expected to result in a major mail bottleneck, as occurred in years past when charter service lapsed or other cargo plane companies abruptly halted service to Majuro.

Quinn said that APA planes will still fly to Majuro to service the Marshall Islands Fishing Venture, an



The US Embassy's July 4 celebration was well-attended this week Tuesday, with dozens of people turning out for the festive occasion. Ambassador Greta Morris (photo at right) cuts the birthday cake as Acting Foreign Minister John Silk looks on, while above, from left, Mike Case, Carlos Domnick, Smith Ysawa, Wilber Allen, Ben Graham, Danny Wase and Dr. Alex Pinano enjoy themselves.

Federal agencies crippling APA

In addition to its fuel cost woes, Asia Pacific Airlines says it is being sandwiched between unresponsive US federal agencies.

APA president Mike Quinn cited a recent example of a problem that developed at Majuro's airport.

On one of its regular mail flights to Majuro, APA's Boeing 727 was pre-

vented from moving into the fueling area because Continental's regular passenger flight was to arrive in about 30 minutes.

"We were forced to wait until Continental landed, refueled and departed," Quinn said.

The delay became a full two hours, in part because the US

Transportation Security Administration (TSA) requires that Continental deplane half of its passengers at each stop so that the airplane can be checked by ground staff.

As a result of the two hour delay, APA did not get into Guam on time for the tuna it was carrying to

make a flight to Japan, and its mail for Guam was also late.

"Our tuna missed its connection, thus losing 25-30 percent of its value and we were late delivering the mail," Quinn said.

"And the final insult is that USPS is trying to fine Continental for this late arrival."

'APA's termination is expected to result in a major mail bottleneck, as occurred in years past.'

affiliate company, "but these flights will not have any mail unless there is a new mail deal."

Quinn identified a series of problems leading to APA's decision to bail out of the mail sub-contract:

- Continental Airlines failed to get a mail volume guarantee from the US Postal Service or the ability to pass on higher fuel costs to the USPS.

- Fuel costs started rising almost immediately after

Continental and APA started their new mail delivery arrangement late last year under contract to the USPS. Combined with this, "the (mail) volumes that the USPS said would be in this contract never materialized," Quinn said. This is "a double whammy that is causing all the problems now."

- Although APA also takes tuna out of Majuro, because it is only out-bound cargo, this does not cover the costs of the nine-and-a-half hour roundtrip flight between Honolulu and Majuro. "With a freighter service such as APA's, we are flying the route primarily to carry the mail," Quinn said.

- Because RMI government's fuel import tax is a percentage, not a flat rate per gallon tax, tax costs for aviation fuel have jumped with the rising prices.

Quinn said APA has gone

Continued page 4

APA news concerns the business sector

Local business people reacted with concern over news that Asia Pacific is cancelling its mail sub-contract with Continental, while RMI government officials indicated they were not aware of the development.

"We all remember the 'bad old days' before the freighter, when mail was routinely left behind in Honolulu for lack of space on the crowded Continental Island Hopper that had to accommodate multiple destinations beyond Majuro," said RRE chief financial officer Phil Marshall. "Losing the freighter, after losing Aloha, will be a significant problem

for us in Majuro."

RMI Chief Secretary Bobby Muller said the RMI Ports Authority reported that the local Continental office is not aware of any contract termination by APA. He also said that Continental and APA officials were in Majuro last week to discuss an APA plan to base one of its planes in Honolulu to provide direct Honolulu-Majuro service.

He said that an APA request to waive landing fees is still being considered by the Ports Authority, but represents a "difficult" issue "as the landing fees represent a significant

portion of the airport operating budget, plus there is concern the precedent this will set with other carriers."

Muller also said that the Compact obligates the US Postal Service to provide a "reasonable and cost-effective level of service" for mail to and from the RMI.

Majuro Chamber of Commerce president Carlos Domnick said the news was "disheartening," and expressed concern that Majuro businesses "were not consulted." He said the Chamber is ready to work with the government and others to

resolve the problems. RRE's Marshall said that "solutions are perhaps not so easy to find, particularly since we don't know all the details, or the contractual relationship between APA and Continental. It's a bit more complicated than it appears on the surface, I'm sure. Ultimately, Mobil's prices and the RMI taxes are problems, but there may be others, as well, that are not as obvious." Domnick said: "I would hate to see this as another addition to the unfortunate company and services 'pull-outs' that the Marshall Islands has experienced over the recent years."

Fuel firm no help either

to both Mobil and the RMI government in an effort to mitigate the impact of the fuel cost situation without success.

He noted that the RMI government has indicated that it wants to do something, but nothing has happened to date. APA asked the RMI government to eliminate APA's airport landing fees in the interim, but has received no response.

• In its mail bid contracts, USPS largely ignores what Quinn calls "freighter plane economics", and "continues to ignore the realities in the Pacific."

He noted that Continental has been trying to get USPS to agree to a fuel surcharge for some time but without any success. "We have also been working with Continental to come up with a better way of moving the mail, but the USPS has also been difficult to work with in this regard," Quinn said. "Therefore, not much has changed."

Quinn also said that Mobil's refueling operation at Majuro international airport "is the slowest in the western world." He said they've asked Mobil to correct it, but there has been no action. Similarly, APA has asked the RMI government to press Mobil on the issue, but nothing has happened to improve the fueling speed.

Mobil holding Majuro hostage

From page 1

what amounted to a 600 percent increase in its profit margin on diesel sales to MEC in a new contract — a proposal that MEC had rejected previously in May last year.

"We contested the proposed increases and asked for justification of the increases in August 2004," Roberts told the board. He also added that Suva-based Forum Secretariat fuel advisor Jared Morris agreed that the price demands by Mobil were "unjustified and unreasonable."

Roberts said that the "justification" information from Mobil was not provided to MEC despite numerous requests until two weeks ago — "some 10 months after the original request."

Roberts, in his letter to Frances Diaz, Mobil's commercial manager, said "the irony is that the supplied information discredits Mobil's original claim that they had lost considerable money on freight, which is obviously why Mobil did not want to supply the information."

In a June 24 letter to Roberts, Diaz said that because there is no supply contract with MEC, "we are prepared to supply MEC on a spot basis for the next delivery" to be governed by the terms of fuel for a "one-time sale." Besides a higher price, MEC will not be extended its usual credit terms, Diaz said. "The granting of credit may also be subject to a requirement to obtain an acceptable form of credit security which MEC may want to provide ahead of any requests for

security to accelerate processing of a credit extension," Diaz wrote Roberts.

Among new requirements, MEC will need to place a deposit of \$20,000 60 days prior to delivery to confirm the shipment, and to make full payment to Mobil 45 days prior to delivery, Diaz said.

Roberts told Diaz that it was "nothing short of ridiculous" for the next shipment to MEC be on a 45 day advance payment basis. "In all my experience I have never heard of such terms being applied to fuel supply," he told Diaz. MEC has been a Mobil customer for 13 years, and with few exceptions has made all payments to Mobil within 30 days, not the 60 days allowed by the previous contracts.

He told Diaz it was "totally outrageous" for Mobil to expect MEC to accept terms that are designed to be applied to a totally unknown and possibly disreputable customer." Roberts said that according to Mobil's new terms, MEC will have to pay \$7 million 45 days before delivery of the next shipment — something it cannot do.

In a memo to the MEC board, Roberts said that "it is about time that ExxonMobil is exposed for the way they are treating a small island state." The RMI is a tiny nation attempting to negotiate with the world's largest oil company, "which has been publicly declaring record profits and who would not be allowed in the more developed nations to dictate and price gouge as they are doing here and other parts of the Pacific."