

SECOND JOINT COMMUNIQUE
of the
SECOND WESTERN MICRONESIAN CHIEF EXECUTIVES'
SUMMIT

The Territory of Guam, the Commonwealth of the Northern Mariana Islands, the State of Yap, within the Federated States of Micronesia, and the Republic of Palau

I. Introduction

The Chief Executives of the Government of the Territory of Guam, the Commonwealth of the Northern Mariana Islands, the State of Yap, within the Federated States of Micronesia, and the Republic of Palau held the ***Second Western Micronesian Chief Executives' Summit*** to follow up on the First Summit, also held in Palau in March of 2003. The First Summit resulted in the identification of numerous focus areas to be studied in order to determine the feasibility of establishing regional programs and responses to unique issues and problems in the region. Each participant to the Summit was given the responsibility for specific areas of concern as 'Focus States'.

This Second Summit followed up on the reports and recommendations made by each Focus State in order to set the stage for more comprehensive integration of the identified recommendations into the planning processes in each of government. In addition, weaknesses in the follow-up on the First Summit were identified and recommendations were made to improve lines of communication between each state.

The Summit reaffirmed the close historical, cultural and economic ties between the four states as well as the commitment to undertake practical initiatives, on a regional basis, to address unique problems and issues.

Governor Juan Babauta of the CNMI, Governor Felix Camacho of Guam and Governor Robert Ruecho of Yap conveyed their appreciation to President Tommy E. Remengesau, Jr. and the people of Palau for the generous hospitality extended to them and their delegations during this very important regional meeting. President Remengesau, Jr., the President of the Republic of Palau, in turn, expressed his appreciation to the three Governors for their attendance and active participation in this Second Western Micronesian Chief Executives' Summit.

II. Priority Issues

The following focus areas were discussed in preparation for the development of regional programs and action.

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1. The Creation of a Regional Airline

Governor Babauta and staff presented a preliminary regional airline strategy that focused on the improvement, in the region, of rate structures, improved flight schedules and expansion of airline services. Specifically, the preliminary plan calls for:

- A unified regional approach in the negotiation with airlines currently serving the region;
- Better coordination with existing airlines to improve air links between islands and with international destinations, and to lower prices and increase the frequency of airline services;
- A unified policy establishing appropriate routing patterns, viable financial models, adequate air cargo capacity and appropriate financial incentives;
- The development of a joint feasibility study identifying major air transportation issues and providing recommendations, focusing preliminarily on subsidies for operations and promotions, fuel taxes, tax considerations and airport fees; and
- Endorsement of a second major air carrier to service the region.

Mr. Alan Seid also gave a presentation on the initiation of services by a new regional airline, Palau Micronesian Air (PMA). Mr. Seid is the President of PMA. The new airline, located and managed in Palau, will operate under Airlink's air operators certificate, which will include New Zealand maintenance, technical staff and pilots and operational control. The fares for the new airline will be approximately 15% lower than currently charged for similar existing flights.

Palau Micronesian Air (PMA) will have reservation links with Japan Airlines (JAL) and Philippine Airlines. In addition, PMA will coordinate flights out of Guam with JAL flights and will work to coordinate airline tourism packages with JAL. Philippine Airlines will also work with PMA to link flights from Hong Kong, Malaysia, Singapore, the United States, and Canada to maximize international connections to and from Europe and the rest of the world. Discussions have also been held with Continental Airlines and they have accepted a \$3 million per annum contract to provide ground-handling services in Guam, Chuuk, Pohnpei and Palau. The new airline will initially fly a single aircraft and will expand to two aircraft within six months. The airline reservation system will be web-based and will accept a broad variety of payment options. PMA's current schedule envisions flights to Australia (Darwin), Manila, Saipan and the Federated States of Micronesia (Pohnpei, Yap and Chuuk). While PMA is primarily a privately owned company, equity ownership commitments in the airline have been made by Palau (\$1 million), Yap (\$500,000) and the CNMI (\$500,000). PMA will tentatively begin services on May 20, 2004.

The Chief Executives recognized that it is crucial to create competition in the region. Such competition would open new air markets and result in lower prices. In response to the new airlines, the Chief Executives expressed the need for Continental Airlines, and

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other regional airlines, to accept and work with the new airline. Governor Camacho indicated that if the island governments stand together in support of PMA, and other future providers, current airlines should recognize the need to expand and diversify air services through complementary cooperation with new tourism partners. In the interest of good relations between all airlines, Governor Babauta recommended inviting Continental Airlines to sit with the Chief Executives at the next Summit.

On a related matter, President Remengesau notified the other Chief Executives that the U.S. Postal Services has agreed to provide services to the region, in a timely fashion, on an equal basis and time frame to states in the United States. Governor Camacho agreed to work with the Guam Post Master to assist the United States in achieving these goals.

2. *Regional Tourism*

Governor Camacho presented the overview on issues related to regional tourism development. Recognizing that a regional approach to tourism will enhance and expand tourism to each state of the region, it was recommended that the four states hold a regional tourism summit in order to coordinate all of the components of the tourism industry within the four states. Within the context of this Summit, issues of regional marketing, regional tour packages, regional events, regional cruises, sports tourism, military ship visits, packages for repeat guests and families, development of the 'silver market' (elderly tourists), enhancement of the wedding market, establishment of new markets and intra-island travel would be discussed. Guam offered to host the proposed tourism summit before June 2004.

It was also recommend that a regional approach be undertaken to develop a strategy to respond to health care issues that impact tourism, such as SARS and other communicable diseases, to include early detection, containment, streamlining management procedures and expanding lines of communication. It was also recommended that the current regional communications capacity be enhanced to respond to these health issues, recognizing the fact that the islands are geographically isolated from other health care facilities and support systems.

In the area of training and capacity, it was recommended that internship relations be developed to improve the tourism service industry. Guam offered to work with the Guam hospitality industry to develop a program of internships for the other three states. The Chief Executives all recognized that it was time to develop a real plan for regional tourism cooperation. They agreed that only as a region would the four states of the region be able to maximize tourism potential and identify and promote new markets.

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3. Solid Waste Management

President Remengesau and staff offered a preliminary background and recommendations on the issue of solid waste management. Four primary components to the solid waste issue were identified, to include:

- The institution of measures to ensure that a majority of the generated waste is being collected. This helps to ensure the effectiveness of the waste management plan by minimizing illegal dumping.
- The utilization of segregation to separate waste stream components that are suitable for recycling/reuse. This allows each waste stream component to be appropriately addressed.
- The creation of appropriate mechanisms to process and reuse or ship off-island those components. This removes these components from the waste stream.
- The depositing of the remaining waste in managed sanitary landfill sites that will not negatively affect the surrounding environment.

Within these four areas, it was agreed that each island had different local capacities and preparedness. Taking this into account, the Chief Executives agreed that capacities must be strengthened and that pilot programs, in appropriate and identified areas, be implemented on a local and regional basis. To accomplish this, it was recommended that each State appoint a contact person to sit on a *Pacific Islands Regional Recycling Initiative Committee* (PIRRIC). Palau would chair the new committee, which would:

- Provide a forum at which information regarding waste management activities on each island can be shared;
- Promote the implementation or augmentation of viable Integrated Waste Management Plans (IWMP's) in each of the islands;
- Consult with waste management experts, be they public or private, for the purpose of formulating the steps necessary to bring the Regional Recycling Initiative (RRI) into being;
- Secure and expend funding for the purpose of completing the tasks assigned to the PIRRIC;
- Produce regular reports to the member islands regarding the progress of the PIRRIC's efforts;
- Produce a final plan for the creation of the RRI that will be endorsed by the governments of the member islands; and
- Oversee the implementation of the final plan to its completion.

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The Chief Executives agreed that each island must take responsibility for the creation of comprehensive integrated waste programs. However, they also agreed that the region cannot wait for this to happen in order to initiate regional programs to enhance regional capacities in areas such as recycling and the shipment of waste off-island. They therefore supported the creation of the PIRRIC and, within two weeks, the appointment of appropriate committee members. The Chief Executives also indicated that the outsourcing of waste management to the private sector was essential to effectively solve the multiple issues related to solid waste management. In addition, it was also agreed that public education is a key element to the implementation of enhanced trash collection and recycling programs. Finally, the Chief Executives agreed that the committee should focus on mechanisms to limit the importation of solid wastes. After the committee is in place, the process will begin with site visitations to solid waste facilities in Guam and Saipan.

4. Regional Health Care Initiative

The CNMI, as the Focus State on regional health care issues, reiterated the potential for regional drug and equipment procurement, regional medical referrals, shared medical specialists, a new regional hospital in Guam and specialty care throughout the region. Within these areas of concern, inherent weaknesses were recognized, such as limited human resources, financial constraints, geographical isolation, lack of economies of scale, high costs of off-island referrals and high expectations of the citizenry. Recognizing these weaknesses, it was agreed that in some cases, regional initiatives were the only real option for the improvement of health care in the region. In fact, it was reported that regional initiatives are already being considered on a number of different levels, including PIHOA.

In the area of drug procurement, it was recognized that Guam and Saipan have access to lower drug prices as U.S. jurisdictions. It was therefore recommended that Palau and Yap pursue qualification for the same treatment by the United States to gain access to FDA recognized drugs, at concessionary prices, through the U.S. General Services Administration (GSA).

It was recognized that a very significant element of medical care costs related to off-island medical referrals. It was therefore agreed that this was an area that should be focused on to minimize such costs. Agreement between the Chief Executives was reached that Guam should serve as a hub for medical care referrals within the context of specialty care capacities on different islands. This would require the upgrading of services at all levels on each island and would necessitate extensive regional planning and coordination.

The Chief Executives further agreed that an enhanced medical center in Guam should be pursued. In order to accomplish this, they agreed that a committee should be established

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to study the cost of building such a facility and that the four states should work together to lobby the United States for funding assistance.

It was also recognized, within this concentric medical care concept, that a regional physician and facilities referral plan should be pursued and the concept presented to PIHOA at their next meeting. This plan would include the development of a regional recruitment effort for qualified physicians in critical specialties across the region, thereby once again reducing regional medical costs through sharing of regional specialties.

In order to accomplish these goals, it was recommended that the Health Summit to be held in Guam in September of this year be expanded to bring together medical administrators and doctors from around the region to discuss a regional plan. All the Chief Executives agreed and Governor Camacho directed his delegation to pursue this possibility.

The issue of health care insurance was also discussed, focusing on the fact that many citizens of the four states do not have any form of medical insurance. It was agreed that this issue should be specifically placed on the agenda of the next Summit to determine regional options to maximize coverage and to reduce costs.

5. Fuel Costs

The Chief Executives stressed the need to cooperatively marshal their forces to achieve economies of scale and enhanced negotiation power, thereby creating market pressures to reduce fuel prices. There was agreement that this ultimately involves the bulk purchase of fuel, on a regional level. However, it was recognized that certain agreements with current suppliers would require delay of this issue until expiration of existing contracts. Yap therefore recommended that each of the states carefully monitor current fuel contracts and coordinate the negotiation of future contracts with the other states.

Concern was also expressed regarding the expense of providing fuel for generators on outer islands. In response to this, it was agreed that renewable energy alternatives be investigated.

6. Expansion of Shipping Capacity

Guam served as the Focus State on the issue of expanding shipping capacity in the region. Guam's report stressed the differences in the laws governing various aspects of shipping and related industries. Guam and the CNMI are currently subject to various U.S. laws that restrict certain aspects of the shipping and fishing industry, while Palau and Yap are subject to their own laws. Consequently, the first recommendation of the Report is to identify existing impediments to growth under each state's current laws. The

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Report also recommended that studies and recommendations in the following areas be undertaken:

- The expansion of regional shipping options;
- The economic viability of developing a regional vessel flagging program to limit shipping costs;
- The development of industrial parks to support regional fisheries and transshipment;
- The establishment of Guam as a regional hub for recycling/processing groups;
- Regional cooperation in the marketing of fish products;
- The viability of establishing a regional air-hub; and
- Full representation of the CNMI and Guam, along with Palau and Yap, in the Forum Fisheries Agency;

7. Renewable Energy

The Republic of Palau was assigned as the Focus State for the issue of renewable energy and the potential for regional initiatives to enhance clean and efficient energy systems on all of the islands. While the four states have different levels of alternative energy development, funding and ready energy resources, it was determined that locally available renewable sources were a viable option to provide a significant portion of island energy requirements.

In order to realize cleaner and more efficient renewable energy options, it was determined that a more comprehensive survey must be undertaken on each island to include:

- The review of current energy delivery systems and energy sources to determine the extent to which renewable energy options may be incorporated into each island's respective energy infrastructure;
- The collection of more detailed data on renewable energy programs and strategies already in existence in each country;
- The determination of the level of general awareness of the high costs of fossil fuels and the impact of their use on the natural environment;
- The comprehensive review of resources to determine appropriate alternative energy options; and
- The establishment of a regional committee, and the identification of focal points, to develop and look at implementation opportunities for a regional energy plan.

The Chief Executives agreed that it was essential that the islands in the region institute energy infrastructure that is more resilient and less dependent on fossil fuel in order to develop a balanced and diverse regional energy portfolio. There was also agreement to emphasize new technologies, such as Ocean Thermal Energy Conversion (OTEC).

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President Remengesau indicated that OTEC is being vigorously pursued in Palau in partnership with Japan and that it could very well serve as a pilot project for the region.

8. Telecommunications

Yap served as the Focus State regarding the issue of regional telecommunications opportunities. The Chief Executives stressed the need to combine efforts to assess appropriate and alternate telecommunications systems, such as submarine cables and satellites. They also stressed the need to combine efforts in the delivery of telecommunications services. Finally, they agreed to identify areas where joint efforts can result in reduced telecommunications costs and to assess the potential for developing a circle cable system that could protect against system failures.

On the issue of a regional submarine cable capacity, discussion revolved around the cost of submarine service versus satellite service. The former requires maintenance of the cable on an on-going basis, as well as high purchase costs, while the latter permits service on an 'as needed' basis. Discussion also revolved around the future capacity and speed of satellite services. The Chief Executives agreed to continue to monitor comparative costs, speeds and capacities of the two alternatives and to address the ultimate issue of affordability. President Remengesau indicated that Palau is continuing to pursue Universal Services through the Federal Communications Commission (FCC) and seeks the continuing support of the other states.

The four states agreed that they will continue to work together towards bridging the digital divide and spreading the benefits from this effort to both education and health programs.

9. Education

Both Guam and the CNMI served as Focus States on the issue of improving regional education. Recognizing that Guam has the only four-year accredited college in the region, it was agreed that a regional plan to improve educational alternatives should use the University as a hub for educational activities. However it was agreed that the curriculum of each state must match the development needs of that state.

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With this said, it was agreed that a Pacific Region Educational Leaders Consortium be developed to discuss inter-institutional collaboration, regional needs and opportunities; the transfer and articulation of students among the various institutions, and the support of regional economic development and community outreach through education.

In the area of technical training, it was further agreed that surveys of institutional capacities should be undertaken within the region and that a regional capacity should be developed based upon the findings of such surveys.

10. Prior Service

The Chief Executives agreed that the pursuit of prior service benefits, pursuant to commitments made by the United States during the Trust Territory period should be continued and agreed to support the continuation of these efforts by sending a joint communication to the administrator of the Prior Service Fund.

III. Conclusion

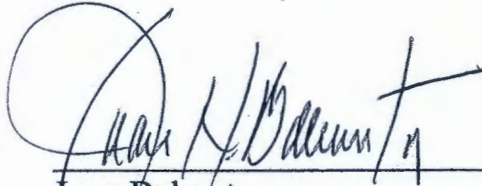
The Chief Executives stressed the need to move forward with practical regional initiatives to strengthen the economic development of each of the four states. Recognizing that communication is the primary impediment to the implementation of regional initiatives, they stressed their commitment to integrating regional issues into ongoing governmental planning and budgetary processes.

The Chief Executives agreed that the negotiation of regional issues with the United States and with other states was very important for each of the four states. They consequently agreed to identify common issues where joint negotiation was appropriate and to better coordinate such negotiation.

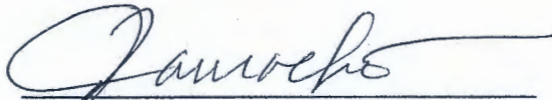
Because of the importance of environment to all of the participating states, it was agreed that the issue of a regional sea grant program would be placed on the agenda at the Third Summit meeting.

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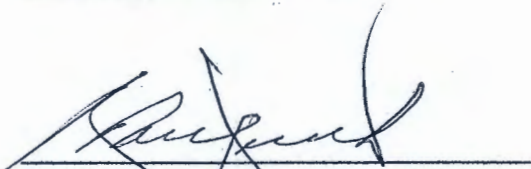
Recognizing that it was agreed at the last Summit that the Chairman would serve for a period of one year, it was agreed that the next Chairman of the Summit would be Governor Camacho of Guam. The next meeting will be held in July, 2004.



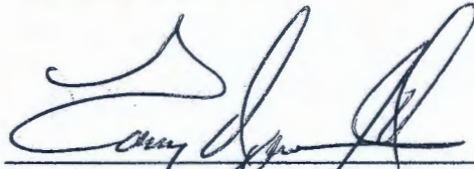
Juan Babauta
Governor of the CNMI



Felix Camacho
Governor of Guam



Robert Ruecho
Governor of Yap, Federated
States of Micronesia



Tommy E. Remengesau, Jr.
President of the Republic of Palau