



Commonwealth of the
Northern Mariana Islands

GOVERNOR'S COUNCIL OF ECONOMIC ADVISERS



Together We Can

ANNUAL REPORT 2021







COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS
OFFICE OF THE GOVERNOR

January 28, 2022

Hafa Adai and Tirow Woomi,

It has been a privilege to work with the Governor's Council of Economic Advisers during its first full year of operation in 2021. This report describes the work of the Council over the course of the year and highlights the important role of the Marianas' private sector partners in collaborating with the government to achieve a higher quality of life for all residents who call these beautiful islands home.

Over the course of the last year, the Council's work, led by Co-Chairman Jerry Tan, has been instrumental in providing vital input of the business and private sector community into the policy and community activities of our Commonwealth. I am thankful for the time and hard work placed into the advancement of the Marianas by members of the Council and want to specifically acknowledge the partnerships with members and organizations throughout our community in the enhancement and transformation of community sites, public facilities, and street medians around Saipan, Tinian, and Rota.

The Public Private Partnership program in the transformation of our public sites advanced by the Council, exemplifies the true spirit of the Marianas – that all members, whether in the public sector, private sector or nonprofit/community sector have a shared interest and can realize shared benefits through collaboration and a focus on this special community.

As the work of the Council continues into 2022, I look forward to continued work toward advancing recommendations, ideas, and proposals that seek to build a better quality of life for all residents and the fostering of an economy that is inclusive and beneficial to all in our community. I extend my gratitude for the work of the GCEA and wish for a successful year ahead for all in the Marianas.

Sincerely,

A handwritten signature in black ink, appearing to read "Ralph DLG. Torres", is written over a circular embossed seal.

RALPH DLG. TORRES
Governor



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Sinapalo Basketball Court & Youth Center



Benita Manglona Buildings (Songsong Village)



Executive Summary



EXECUTIVE SUMMARY

The Governor's Council of Economic Advisers (GCEA or "the Council") is pleased to provide its End of Year Report covering the first full year of operation of the Council in 2021.

In this second year of operation for the Council, the Commonwealth of the Northern Mariana Islands (CNMI or the Marianas) economy continues to mitigate and adjust to the impacts of the COVID-19 pandemic, with notable accomplishments achieved in the year that aided in the recovery and further development of commercial activity throughout the islands.

In 2021, the Council saw tangible action in the recommendations provided in its first Year-End Report. Some of the notable accomplishments include:

THE CREATION OF CEDA

As the first public law of the 22nd CNMI Legislature, the Marianas saw the establishment of the Commonwealth Economic Development Authority (CEDA) and the emphasis that future economic development in the Marianas should be driven by the needs and the desires of the community.

This initial step is crucial in the Marianas' ability to drive the economic development priorities of the community and for placing economic development as a proactive responsibility of an agency of government. The Council looks forward to the passage of HB 22-70, which will further enhance the powers and tools of CEDA to accomplish this important goal for the Commonwealth.



EXPANSION OF PUBLIC PRIVATE PARTNERSHIPS IN THE MAINTENANCE OF COMMUNITY SITES AND FACILITIES

This past year saw greater participation in its Public Private Partnership (PPP) program that aligned community organizations, businesses, and government agencies to the goal of upgrading and maintaining public facilities and sites throughout the Commonwealth. Today, the Council is proud to provide that 82 organizations have signed on to support the adoption of 77 sites across Rota, Tinian, and Saipan. The Council thanks all the organizations and public sector agencies that have contributed to this effort and provided their time, resources, and skills to the goal of transforming these sites for future generations.



UNIVERSAL GARBAGE COLLECTION

Building upon the Council's recommendation for the establishment of a Universal Garbage Collection system for the Commonwealth, Governor Ralph Torres through Executive Order 2021-21 established the Universal Garbage Collection Task Force on September 28, 2021, under the Chairmanship of Council Member Gary Sword, to produce a plan for the government that provides a pathway for the establishment of universal solid waste collection in homes and villages.

On December 27, 2021, the Task Force submitted its report to the Governor outlining the methods by which the CNMI Government can make Universal Garbage Collection a reality for the many homes and villages in the Marianas. Key among this effort was the reduction in littering and the curtailment of the environmental harm caused by improper disposal of solid waste by expanding the proper means for disposing of waste at the source. Through expanding access to garbage collection services and the availability of the public waste collection in beaches and parks, the report submitted by the Task Force provides for true community ownership of this issue and further implementation of the report's recommendations will provide a lasting solution to this persistent problem in the Marianas.



TOURISM RESUMPTION BLUEPRINT

During the early months of the COVID-19 pandemic in 2020, the Council saw the need to envision a pathway that the Marianas can resume some level of tourism arrivals should the pandemic continue for a prolonged period. The Tourism Resumption Blueprint created by the Council outlined a process for resuming arrivals that incorporated elements of the existing quarantine processes that aimed to provide for necessary COVID-19 risk mitigation protocols while offering an enjoyable visit for potential tourists.

In March 2021, Governor Torres created the Tourism Resumption Task Force to work toward a plan for resumption that built upon the Tourism Resumption Blueprint. Following the creation of the Tourism Resumption Investment Program "TRIP" (further discussed in Section 2), the Marianas became the first destination in the region to successfully negotiate and establish a Tourism Bubble with South Korea. This bubble and the protocols established by the Marianas Visitors Authority and the COVID-19 Task Force saw the arrival of 2,984 Korean visitors between July 2021 and October 2021. This surge in the Korean market provided 80% greater arrivals than the total arrivals from all origin countries in that same timeframe in 2020. While far from pre-pandemic levels, this pathway established a foundation of trust and collaboration with the Marianas' largest tourism market during a period of significant curtailment in the demand for international travel.



Source: Marianas Visitors Authority

EXECUTIVE SUMMARY

LEGISLATIVE PROPOSALS

The Council is grateful for the support of the CNMI Legislature in advancing several of the recommendations presented in 2020 through legislation introduced for consideration.

Bills introduced as a result of recommendations presented by the Council include the following:

HB 22-21/SB 22-36 Commonwealth Economic Development Authority Act of 2021 – To strengthen the tools and powers of the CNMI Government to promote and expand economic development and to establish the Commonwealth Economic Development Authority. HB 22-21 introduced by Rep. Angel Demapan and SB 22-36 introduced by Sen. Jude Hofschneider. Became Public Law 22-01 on June 7, 2021.

HB 22-42 To amend 4 CMC § 1943 to authorize developer infrastructure tax credits for appropriate Chamorro and Carolinian culture designs, and for other purposes. Sponsored by Rep. Joseph Flores, with Co-Sponsors Rep. Blas Jonathan Attao, Rep. Angel Demapan, Rep. Joseph Leepan Guerrero, Rep. John Paul Sablan, and Rep. Ralph Yumul.

HB 22-70 To Reform the Investment Incentive Act of 2000 to promote economic development in the Commonwealth and increase the competitiveness of the Commonwealth for private sector investment. Sponsored by Rep. Angel Demapan. Passed by the CNMI House of Representatives in August 2021.

SB 22-30 To Amend 4 CMC § 2173 to impose criminal penalties against tour guides that operate without an MVA approved certificate and tour operators that employ uncertified tour guides, and for other purposes. Introduced by Sen. Vinnie Sablan.

The Council greatly appreciates the cooperation and collaboration with the members of the CNMI Legislative Branch in advancing its efforts to establish the statutory framework for the continued advancement of economic development and private sector growth in the Commonwealth.

LOOKING FORWARD

Section 7 of this report will provide greater detail into the Council's outlook on 2022, which will include the priority areas for the Council's work in the year ahead, but in brief, as the New Year begins, the Council sees a renewed opportunity to bring together the entire Marianas toward greater standards of living and improved quality of life for all residents.

DESTINATION TRANSFORMATION AND MARIANAS VILLAGE PRIDE

It is the GCEA's vision to build the Marianas to become a world-class destination not only for our visitors but most especially for everyone who calls the islands home. Our goal is to achieve this together within the next 10 years. This long-term plan requires thoughtful visioning and careful planning. It requires commitment, cooperation, and support from everyone in the Marianas. It won't happen overnight, but to get there, we have to achieve milestone after milestone toward this goal, and we believe that Together, We Can!



Filcom Pavilion -- Civic Center

The GCEA will bring together community organizations, business partners, and government agencies to work toward the goal of transforming our sites and public facilities across Rota, Tinian, and Saipan. In 2022, we will see even more transformative changes to the sites owned by our community. Together, we will enhance their beauty, strengthen their sustainability, and increase their usability for all to enjoy.

This ties in with our new initiative for the coming year. We will be transforming our public sites and providing opportunities for residents to take pride and ownership of their homes, schools, and businesses. We will expand on the Marianas Village Pride campaign and look forward to working even closer with our mayors, schools, and residents to highlight the uniqueness of each village, foster pride in our local communities, build partnerships among neighbors, and create a sense of ownership of the Marianas.

ENVIRONMENT

The environment is our most valuable resource. Littering, illegal dumping, and issues with solid waste management threaten the growth and safety of our islands. GCEA's initiative to create a universal garbage collection system for the Marianas led to the establishment of the Universal Garbage Collection Task Force, which recently submitted its recommendations to Gov. Ralph DLG Torres. The council will continue this important discussion to make UGC a reality for our community and our environment. Additionally, the council further supports the UGC Task Force's recommendation to establish the Governor's Environmental Council to advance the community's participation in the critical issues facing our environment.

INFRASTRUCTURE

In 2022, the council seeks to improve the relationships among government agencies, the private sector, and federal funding opportunities. We look forward to the further implementation of electronic permitting, the transition to e-government platforms, and the streamlining of procurement and permitting, all of which can positively affect the Marianas' recovery and revitalization efforts.

INTERISLAND TRANSPORTATION

The Marianas is a unique multi-island destination that holds opportunities for diverse commercial development and economic growth. The Marianas as a vibrant multi-island destination has been outlined by reports provided by the council, but hinges upon reliable, sustainable, and affordable transportation options. Establishing interisland transportation is more obtainable than ever with the wealth of resources provided by the federal government and the strong partnerships between the public and private sectors. There have been major milestones achieved so far. The designation of the Marianas' first Marine Highway established through the good work of the Commonwealth Ports Authority, led by chairwoman Kimberlyn King-Hinds, provides more opportunities to build stronger connections between the islands.

As much as we'd love to see our recommendations come to fruition overnight, we know that they will take time, planning, and adjusting when difficulties come about. We are confident in our community's commitment to helping the Marianas reach its full potential.

Every resident is a valuable stakeholder in making the Marianas a better place to live. We can all lend a hand by picking up trash, painting medians and bus stops, and clearing overgrown trails. It can be as simple as leaving the beaches and parks cleaner than how we find them. No effort is ever too small, and collectively we can help take better care of our islands.

The Council thanks each of its members, PPP volunteers, government agencies, corporate and nonprofit partners, mayors, and our community for their service and commitment to the Marianas. Our islands' success relies on every one of us.

Together, We Can!



Susupe Basketball Court Cleanup



Section I

Introduction



The Governor's Council of Economic Advisers was established through Executive Order 2020-11, signed by Governor Ralph DLG. Torres on May 19, 2020. The Council was established with the responsibility to:

1. Formulate policy initiatives to encourage economic growth, provide for prudent and responsible management of the economy, and the alleviation of barriers toward business development and growth.
2. Provide recommendations to the Governor on issues related to the administration of the Executive Branch and its departments and agencies.
3. Assist the Office of Planning and Development, under the Office of the Governor, in the creation of the CNMI Comprehensive Sustainable Development Plan.
4. Serve as counsel to the Governor on the status of the economy and its forecasted direction.
5. Create detailed reports to advance policy initiatives beneficial to the CNMI economy.
6. Convene Council meetings at least once every three (3) months.
7. Review all proposed regulations pertaining to increases in business fees and rules that affect the functioning of the economy and provide analysis of the proposed impact to the private sector.



THE HONORABLE RALPH DLG. TORRES
GOVERNOR OF THE COMMONWEALTH OF THE
NORTHERN MARIANA ISLANDS
CO-CHAIR OF THE GCEA

Governor Torres is leading discussions on market diversification, improving infrastructure in Garapan – the heart of our tourism industry, and developing an educated workforce that meets the needs of the CNMI's economy for the future, in a strategy to build economic resilience in Saipan, Tinian, and Rota.



JERRY TAN
CO-CHAIR OF THE GCEA

Jerry Tan is the Chief Executive Officer of Tan Holdings Corporation, a diverse holding company doing business in the Western Pacific and with headquarters in the CNMI. A recognized entrepreneur and employer, Jerry also commits great passion in volunteerism and giving back to our community.



CHRISTOPHER CONCEPCION
EXECUTIVE DIRECTOR

Christopher Concepcion is the Deputy Director of the Office of Planning & Development. As Deputy Director, Christopher oversees the Garapan Revitalization Project, an overarching plan to transform the main tourist district of Garapan into a premier family-friendly destination.

GCEA COUNCIL MEMBERS

In 2021, the Council was co-Chaired by Mr. Jerry Tan. The work of the Council is conducted through the committees established within its structure. These committees are:

Domestic Policy Recovery Committee



MICHAEL S. SABLAN
CHAIRMAN



HOUSE SPEAKER
EDMUND S. VILLAGOMEZ



GARY SWORD



ROMAN "BO" T. PALACIOS

Fiscal Economic Diversification Committee



MATTHEW GUERRERO
CHAIRMAN



JOE GUERRERO



BRIAN SHIN



DON POWER

COMMITTEE MEMBERS:

CARLINE SABLAN
MANUEL SABLAN
ALEX SABLAN



MARCIE TOMOKANE

Tourism Infrastructure Reboot Committee



ALEX SABLAN
CHAIRMAN



SENATE PRESIDENT
JUDE
HOFSCHEIDER



WARREN
VILLAGOMEZ



ALEX YOUN



AUBRY HOCOG

COMMITTEE MEMBERS:

KIMBERLY KING-HINDS
MARIAN ALDAN-PIERCE
GLORIA CAVANAGH
PRISCILLA IAKOPO
VELMA PALACIOS
KAITLYN NEISES-MOCANU
JENNIFER TAN
IVAN QUICHOCHO
AURELIA KRETZERS

JOSEPHINE MESTA
CARLINE SABLAN
THOMAS MAYRHOFFER
MARCIA CALVO
SEAN FICKE
KEITH STEWART
JOMARI PICO
GARY SWORD
GORDON MARCIANO

2021 was the first full year of operation for the Council and this End of Year report summarizes the work performed by the Council under the mandates of EO 2020-11.

SECTION II of this report discusses the activities of the Council in 2021, reporting on the recommendations provided to the Governor on the range of issues covered in Council discussions that affect the Marianas economy. The work of the Council is provided in the description of five recommendations submitted to the Governor.

SECTION III discusses the recently published economic data related to the economy before the COVID-19 pandemic. This section aims to provide a shared understanding of the economy before the significant impacts caused by the pandemic and aims to highlight key areas of the structure of the pre-pandemic economy, particularly in how federal spending after Super Typhoon Yutu can provide insights into the current operation of the economy.

SECTION IV delves into the available data on the Marianas economy in 2021. This section utilizes information provided by the CNMI Department of Labor, CNMI Department of Commerce, and Marianas Visitors Authority to better understand the makeup of the economy today and aid in targeting areas for further recommendations in the year ahead.

SECTION V provides a discussion on the challenges facing the economy in the years ahead with specific emphasis on the role of the federal immigration transition period on the advancement of the Marianas economy and community.

SECTION VI provides an outline of the Council's outlook for the year and beyond, detailing the areas of priority and opportunity for the Marianas and an estimate of economic output for 2020 and 2021.



Gov. Torres thanks CNMI stakeholders for supporting economic initiatives

PUBLIC BENEFIT FUND DIRECTLY SUPPORTS TRANSFORMATION PROJECTS ON ROTA, TINIAN, AND SAIPAN

Since the inception of the Governor's Council of Economic Advisers' (GCEA) Public Private Partnership (PPP) program in 2020, the GCEA has been in close partnership with the Department of Public Lands (DPL) to accomplish the restoration, maintenance, and transformation projects for tourist and village sites on Rota, Tinian, and Saipan.

The PPP program has offered the Marianas a powerful tool to improve the economic sustainability of its tourism destinations, enhance the quality of its services, and provide safe and enjoyable facilities for its residents and visitors. It is through this partnership program that initial and necessary capital investments were made to restore previously neglected and dilapidated sites. Basketball courts, youth centers, sports facilities, beaches, parks, roads, and signages are among the public areas that the PPP program has impacted across The Marianas.

By January 2022, the PPP program has expanded to reach 82 sites adopted by 77 organizations. However, many of the GCEA's partners are volunteers from non-profit organizations with limited resources, and needed the financial and material support in order to accomplish their goals for their adopted sites. The Crowne Plaza Resort and the Department of Public Lands supported this mission through the commitment of \$500,000 to the PPP program, and \$200,000 to restore public basketball courts and community facilities from their public benefit fund.

Through the Crowne Plaza Resort's public benefit fund, DPL has now contributed close to \$485,000 to fund the transformation of tourist sites and community and sports facilities throughout The Marianas.



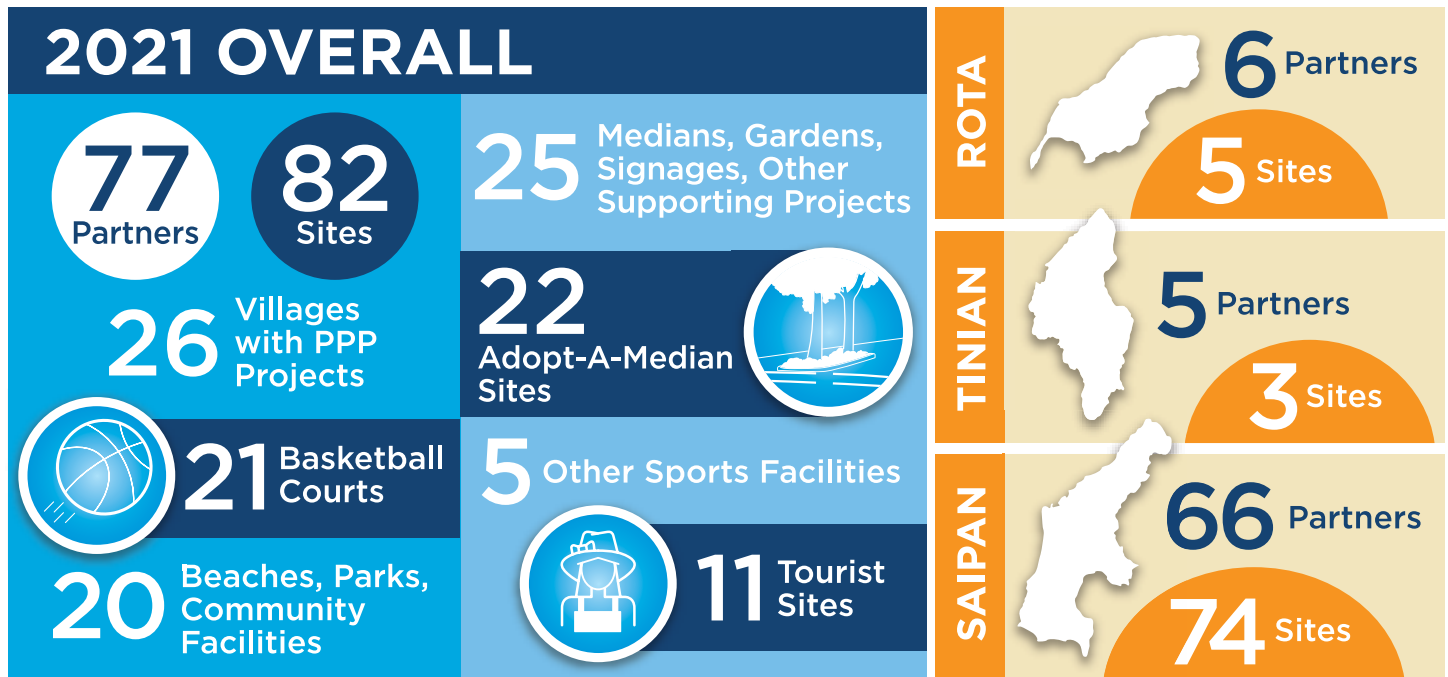
Funding from DPL has directly supported the PPP program by funding professional services, purchase of materials, and the purchase of equipment made available to the PPP partners and volunteers to use at the adopted sites. More than \$100,000 has been invested in the renovation of sports facilities in the community. In just over a year, 21 basketball courts, the Garapan Skate Park, and the Capitol Hill Tennis Court were updated throughout Rota, Tinian, and Saipan.

DPL's contributions and support for the various PPP projects have greatly contributed to the GCEA's top priorities: to improve the quality of life for everyone who calls the Marianas home, and to transform the Marianas into a "world-class destination". GCEA's council members look forward to the many projects in the upcoming year with the help of DPL.

The restoration of all PPP sites were made possible by the support of the Crowne Plaza Resort Saipan's public benefit fund with the Department of Public Lands.



PUBLIC PRIVATE PARTNERSHIP IN 2021



Public Private Partnership Program Partners and Sites

	Organization		Site
Rota			
1.	Rota Mayor's Office	1.	Benita Manglona Buildings (Songsong Village)
2.	Filipino Community of Rota	2.	Mendiola Park
3.	Rota Merchandising, DK Brothers	3.	Sinapalo Basketball Court & Youth Center
4.	Hotel Valentino <small>*In partnership with Rota Mayor's Office, FilCorp, Rota Merchandising, DK Brothers for the Benita Manglona Buildings and Mendiola Park. Also, in partnership with CPA-Rota for the Airport Road.</small>	4.	Airport Road, Rota
5.	Commonwealth Ports Authority – Rota		
6.	Sinapalo Elementary School 6 th Grade & Student Council Organization	5.	Sinapalo Elementary School Parking Lot and Entrance
Tinian			
7.	Triple J Enterprises, Inc.	6.	Jones Beach, Tinian
8.	Tinian Mayor's Office		
9.	Typhoon Sports Association	7.	Broadway Estates Basketball Court
10.	Fitbeat Anti-Tobacco Wellness, Tinian		
11.	Tinian Elementary School Student Government Organization & Youth Advisory Panel	8.	Tinian Elementary School Sidewalks (Across Public Library & Hospital)
Saipan			
12.	Marianas Association of Filipino Engineers and Architects		A&E Consulting Services for PPP Construction Projects
13.	International Roller Skates		
14.	Tasi & the Ali'is		
15.	DIVEWISH	9.	Grotto
16.	Loco & Taco Dining Bar		
17.	Bibong Corp. (Mariana Lighthouse)		
18.	P&A Corporation	10.	Korean Peace Memorial
19.	Marianas Racing Association	11.	Cowtown
20.	Tan Holdings/Tan Siu Lin Foundation	12.	Gilbert C. Ada Gymnasium

			Directional and Location Signages
		13.	Bird Island Lookout
		14.	Gov. Froilan C. Tenorio Beach Road Pathway
		15.	Last Command Post
21.	Kanoa Football Club		
22.	Beach Road Tourism Development, Inc.	16.	Garapan Core Highway Medians
23.	E-Land Group	17.	Pau Pau Beach
24.	Bridge Capital, LLC	18.	Garapan Central Park
25.	Rotary Club of Saipan		
26.	Emon Masonic Lodge 179	19.	Suicide Cliff
27.	Lions Club International District 204, Region 2		
28.	Mount Carmel School	20.	Sugar Dock Beach
29.	Commonwealth Ports Authority - Saipan		
30.	Airport Operators Committee	21.	Airport Access Road, Saipan
31.	POI Aviation		
32.	Triathlon Association of CNMI	22.	North Trails
33.	NMI Cycling Federation		
34.	CTSI Logistics	23.	Ladder Beach
35.	Northern Mariana Islands Football Association	24.	Koblerville Village
36.	United Filipino Organization		
	Triple J Enterprises, Inc. *Organization counted under the Jones Beach adoption.	25.	San Isidro Beach Park / Laly 4
37.	Korean Community of Saipan	26.	Micro Beach
38.	Kanoa Resort Saipan		
39.	Chinese Association of Saipan	27.	Susupe Beach Park
40.	Palauan Community Association of the CNMI	28.	Naftan Point
41.	Tasi Tours		
42.	Micronesia Islands Nature Alliance	29.	Beach Road Flower Garden (National Office Supply to Marianas Lounge)
43.	Office of Precinct 1 Representatives 22 nd Legislature	30.	Dandan Children's Park
		31.	San Antonio Basketball Court & Fernando Benavente Library
44.	Office of Precinct 2 Representatives 22 nd Legislature	32.	Susupe Basketball Court & Social Hall
45.	Office of Precinct 4 Representatives 22 nd Legislature	33.	Tanapag Beach
		34.	Sadog Tasi Welcome Sign

		35.	Tanapag Basketball Court
46.	Talaabwogh Stars		
	Office of Precinct 4 Representatives 22 nd Legislature Organization counted under the Tanapag Beach & Basketball Court adoption.	36.	As Matus Basketball Court
47.	Socho Basketball Club		
48.	Office of House Minority 22 nd Legislature	37.	Capitol Hill Basketball Court & Baseball Field
		38.	Lower Navy Hill Basketball Court
		39.	Chalan Kanoa Basketball Court
		40.	Tottotville Basketball Court
		41.	Garapan Skate Park
		42.	Chinatown Basketball Court
		43.	Man'amko Center (Mural)
		44.	Capitol Hill Tennis Court
		45.	Isa Drive/San Vicente Median & San Vicente Parish Parking Lot
		46.	Carolinian Utt
		47.	Civic Center Beach Park Pavilion
		48.	Pau Pau Beach Pathway
		49.	San Antonio Basketball Court
		50.	Oleai Basketball Court
49.	Office of Precinct 5 Representatives 22 nd Legislature	51.	Sugar King Park
		52.	Saipan Southern High School Basketball Court
		53.	Kagman II Basketball Court
50.	Korean Diving Association	54.	Kagman III KCC Basketball Court
		55.	Kagman III Chacha Basketball Court
		56.	Underwater World War II Korean Monument
51.	Japan Saipan Travel Association	57.	Japanese Peace Memorial
52.	Japanese Society of Northern Marianas	58.	Tower of Okinawa
53.	I Love Saipan	59.	Mt. Tapochau
54.	Korean Jungle Tour Association		
55.	Artman Environment Corporation		
56.	Bank of Guam	60.	Garapan Basketball Court
57.	Samoa-Marianas	61.	Historical Samoan Village (Tanapag)
		62.	I'iga Pisa Launch Site (Agingan)

58.	Marianas High School Class of 1987	63.	Marianas High School Basketball Court
59.	Pride Marianas Youth	64.	Da'ok (Bicol) Pavilion
60.	LJ's Lawncare, LLC	65.	Garapan Sidewalk Curbs
61.	Shirley's Coffee Shop	66.	Middle Road/Garapan Intersection and Medians
62.	Shirley's Football Club		
63.	Northern Marianas College	67.	Chalan Monsignor Guerrero Medians
64.	Life in the Son Christian Fellowship	68.	Gualo Rai Medians
65.	Saipan Mayor's Office	69.	Toyota Intersection Medians
66.	Tan Holdings Football Club	70.	Guma Sakman Medians
67.	Saipan Marianas Lions Club	71.	Chalan Kiya Medians
		72.	13 Fishermen (North) Beach Road Pavilion
68.	Chris Concepcion Family & Friends	73.	Chalan Piao Medians
69.	Century Tours, Inc. – Century Hotel, Seatouch, iSHOP	74.	Mobil Kagman Intersection Medians
	POI Aviation *Organization counted under the Airport Access Road Adoption		
70.	D&Q International Distributors	75.	Sadog Tasi Intersection Median
71.	Marianas High School	76.	Marianas Visitors Authority Sidewalks
		77.	Dandan Children's Park Parking Lot
72.	Northern Marianas Sports Association	78.	Oleai Sports Complex Parking Lot & Curbs
73.	Kagman Elementary School	79.	Kagman DFEMS Sidewalks
		80.	Laolao Bay Golf Resort Sidewalks
74.	Joeten-Kiyu Public Library	81.	Susupe Medians (Across World Resort) & JKPL Parking Lot
75.	Saint Trading Company	82.	Mt. Carmel Church Sidewalks & Parking Lot
76.	Saipan Magalahi Eagles Club		
77.	Mt. Carmel Choir		





Together, We Can!

GCEA's First Anniversary Celebration





MVP Christmas Decorating Contest Winners Kagman Elementary School

Section II

Activities of the Council in 2021



GCEA Launches Its Adopt-A-Median Program



Kagman 3 Basketball



In 2021, the Council, through discussions and Committee engagements, has produced and provided to the Governor a series of recommendations in accordance with Executive Order 2020-11. The following section outlines and describes the recommendations provided and the accomplishments of goals to date.

RECOMMENDATION 14 MARIANAS VILLAGE PRIDE CAMPAIGN

The Council believes that achieving the long-term vision of the Marianas becoming a world-class destination by 2030 must start with building pride and ownership of the islands among the community. Each island has unique and special characteristics that have developed throughout the history of the Commonwealth that is understood and appreciated by the community, but even further than that, each village in the islands has a history and individual identity that speaks to the story of the Marianas.

Toward this goal, the Council puts forward its objective of building pride and cherishing the unique identity of the islands through the Marianas Village Pride (MVP) Campaign.

The MVP Campaign consists of the following elements:

1

Marianas Village Pride Marketing Messaging

The Marketing Messaging seeks to create content that inspires beautification activities and features the beautification activities of residents throughout the Marianas. These messages are to be distributed through print and social media channels and will encompass the work of the MVP committee made up of youth ambassadors.

Youth Ambassadors will include invited High School Student leaders, who will receive service hours for participation. Together the MVP Committee will help students take ownership of the MVP Campaign and create events at the school level. These events will aim to promote environmental stewardship, school pride and unity, and acts of service to the community.

The broader messaging strategy will target residents and students throughout the Marianas and will cover the major programs of the Campaign described below to entice participation, and outreach.



MARIANAS Village Pride

Be an MVP!

Improving the quality of life in The Marianas begins with making our villages better places to live. Having Marianas Village Pride means taking care of our homes, schools, streets, and village facilities for all to enjoy. Join us as we elevate what it means to have Marianas Village Pride.

ADOPT-A-MEDIAN PROGRAM
Open to schools, residents, organizations, and businesses.
Help make our streets and sidewalks safer for pedestrians and motorists! Schools, groups, families, and businesses can adopt, clean, and paint medians, sidewalks, or crosswalks in their villages. GCEA will provide the supplies. Students, you will earn service hours for your participation. Go to cmnieconomy.com to sign up today! Together, We Can!

MVP VILLAGE FLAG ART CONTEST
For Middle and High School Students
We need your help to design flags for our villages! Use your artistic talents to show us what makes your village a great place to live, and be sure to tell us what makes your village special and unique. Teachers, download the contest criteria and design template at cmnieconomy.com.

MVP BUS STOP BEAUTIFICATION CONTEST
Open to schools, residents, organizations, and businesses.
Beautifully design, and paint a bus stop in your village and compete for awesome prizes! Show us what makes your village unique and beautiful. Download the application at cmnieconomy.com and submit it by Nov. 1st. Students earn service hours for their participation.

MVP COLORING PAGES AND LESSONS
For elementary school students.
From taking care of the environment to being a better neighbor, let's continue to learn how we can do our part to make our villages better places to live. Coloring pages and lessons can be downloaded at cmnieconomy.com.

MVP CHRISTMAS DECORATING CONTEST
Open to schools, residents, organizations, and businesses.
Beautifully decorate your home, community center or basketball court, village's entrance, and business for a chance to win prizes! Let's make The Marianas festive and beautiful this holiday season. Sign up to participate by Nov. 5. The contest begins on Nov. 28. See contest details at cmnieconomy.com.

#BeAnMVP #MarianasVillagePride #TogetherWeCanMarianas

For more information about how to participate, visit cmnieconomy.com. Engage with the Governor's Council of Economic Advisers on [Facebook](https://www.facebook.com/cmnieconomy) or [Instagram](https://www.instagram.com/cmnieconomy).

2

Promotion of the Adopt-A-Median Program

The Adopt-A-Median Program aims to encourage businesses, residents, and civic, church, and school groups to select road medians in their villages or along any public road to maintain and beautify. The Council provides support for adopted medians through assistance with permitting, the provision of loaned cleaning equipment, and, on occasion, aid in defraying the cost of paint, materials, and landscaping.

3

MVP Village Flag Art Contest for Middle and High School Students

This contest will be open to all Middle and High School students throughout the Marianas and will seek entries for unique designs that represent their respective villages. All entries will be featured on the GCEA social media pages. The winning artwork for each village will be used as inspiration for the development of the final village flag produced by GCEA to be presented at a community event.

4

MVP Lessons and Coloring Pages for Elementary School Students

Forelementarystudents,theycanshowtheirpridein their village through enjoying the Marianas Village Pride lesson and coloring pages downloadable from the GCEA website. The downloadable file contains a four-page lesson that can be administered by a teacher and coloring pages that aim to encourage pride in the students' respective villages. Each student will receive a certificate of participation following the lesson.

5

Communitywide MVP Christmas Decorating Contest

During the holidays, residents of the Marianas were encouraged to beautify and decorate their homes, community centers, basketball courts, village entrances, and businesses for a chance to win prizes. The beautification contest focused on making the Marianas festive and beautiful to enhance enjoyment for all residents.

6

MVP Bus Stop Beautification Contest

Bus stops that support school bus pickups for students are present throughout the Marianas. The Bus Stop Beautification Contest seeks to encourage residents to complete beautification activities and to decorate these bus stops with each village's mascot, team colors, unique landmarks, and features.



RECOMMENDATION 15 TOURISM RESUMPTION INVESTMENT PROGRAM (TRIP)

In 2020, the Council provided Governor Torres with its Tourism Resumption Blueprint that outlined the possible scenario in which tourism would resume within the context of continued impacts to international travel caused by the COVID-19 pandemic. In 2021, the Council joined with Governor Torres in advancing this Blueprint through the establishment of the Tourism Resumption Task Force, chaired by Commonwealth Ports Authority Chairwoman Kimberlyn King-Hinds. Members of the Council supported the development of what became the "Tourism Resumption Investment Program (TRIP), which established the pathway for resuming a level of tourism arrivals from South Korea through revised protocols and increased health mitigation efforts. The report produced by the Task Force is included below:

Tourism Resumption Investment Program Recommendation from the CNMI Tourism Resumption Task Force

BACKGROUND

April 2021 marks the one-year anniversary of the elimination of tourism arrivals to the Commonwealth of the Northern Mariana Islands due to the global outbreak of COVID-19. Tourism is the primary source of economic activity in the CNMI and the dramatic and swift loss of tourism arrivals has led to business closures, wide-spread employment disruptions, and a severe curtailment of government revenue.

In June 2020, the CNMI put forward its Tourism Resumption Blueprint to provide for a partial resumption of tourism arrivals that was dictated by the change in circumstances and consumer and market demands caused by the COVID-19 pandemic. The Blueprint provided a framework to incorporate stringent risk mitigation protocols alongside the existing and effective community monitoring system established by the CNMI COVID-19 Task Force and CNMI health care officials. The Marianas Visitors Authority formally adopted the Blueprint.

On March 29, 2021, Governor Ralph DLG. Torres established the Tourism Resumption Task Force to create the Tourism Resumption Plan alongside stakeholders within the tourism industry. The Tourism Resumption Plan built upon the Tourism Resumption Blueprint, and seeks to combine effective risk mitigation protocols, with necessary and cost-effective investments to resume economic activity, employment, and stability in the tourism market.

The Marianas Visitors Authority is entrusted with a statutory duty to promote tourism in the CNMI. Tourism is the life-blood of the CNMI economy and is the primary means by which private sector employment is fostered. In tying both the urgent need for economic activity and the significant considerations that must be employed to ensure the safety and wellbeing of the Commonwealth people during the ongoing COVID-19 pandemic, the structure and processes for resuming tourism arrivals in line with the purpose of MVA requires urgent and innovative action. The CNMI TRIP seeks to accomplish both objectives with utmost consideration to the needs of the CNMI people.

According to data provided by the CNMI Department of Labor, of the 18,983 claimants for the Pandemic Unemployment Assistance program in the CNMI, the largest percentage of claimants came from Food Preparation and Serving Related Occupations, with 2,202 individuals whose employment has been impacted by the pandemic. This industry along with the Sales and Related Occupations (1,810 individuals) and Building & Grounds Cleaning and Maintenance Occupation (1,234 individuals) are highly connected to the full functioning of the CNMI's tourism economy.

It is important to recognize that the CNMI's only export is tourism, and the international disruptions to commerce caused by the pandemic focused primarily on the elimination of inbound arrivals and the corresponding closures in the hospitality industry. From this impediment to commerce alone, the labor impacts across all sectors, such as Management Occupations (2,064 individuals), Personal Care and Service Occupations (1,810 individuals) and Installation, Maintenance, and Repair Occupations (885 individuals) suffered either a direct or indirect employment opportunities due to the termination of flights.

The TRIP as presented aims to revive this critical economic activity in the CNMI, and as a result, support the sole means for the CNMI to obtain an influx of capital necessary to support the thousands of jobs and, even greater numbers of families, who have been impacted by this most severe economic contraction the CNMI has ever faced.



Source: Marianas Visitors Authority

TOURISM RESUMPTION INVESTMENT PROGRAM

The CNMI Tourism Resumption Investment Program (TRIP), establishes two primary targets for partner implementation – Airlines and Hotels. Airlines and Hotels represent the two pillars of the tourism industry and when combined, will facilitate the welcoming of visitors and the allowance for their visit to encourage commercial activities across various sectors.

As envisioned in the Tourism Resumption Blueprint and the risk mitigation framework established alongside the COVID-19 Task Force, South Korea is the focus of tourism resumption as infection rates present the lowest risk to the CNMI population among the CNMI's primary tourism markets and expanding the benefits of safe travel to the CNMI employment market.

The CNMI TRIP proposes the implementation of a two-month trial program for resumption that establishes protocols and investments that will educate the later stages of resumption in the months that follow.

AIRLINES

Since April 2020, regular and chartered air service to the CNMI has experienced severe disruptions. All scheduled service has been suspended from the CNMI's primary international source markets, and charter service is sporadic and targeted toward facilitating travel to and from South Korea for returning residents. The greatest limitation to the resumption of flights from South Korea is the market demand within the country for international travel. This demand is suppressed by quarantine requirements within international destinations and quarantine requirements of the South Korean government upon returning from international travel. Further, the existence of traveler hesitation to undertake international travel due to the ongoing concern of the COVID-19 disease is not negligible.

A program for the resumption of air service from South Korea relies upon a recognition of these factors and assumes that initial travel will be limited in demand. Further, the marketing of the CNMI as a safe and enjoyable destination within the context of a global pandemic requires a "proof of concept" for the CNMI's new travel requirements to provide clarity and assurance to a hesitant global market.

The CNMI TRIP proposes to address these concerns with a two stage process for incentivizing and investing in the resumption of air service from South Korea.



AIRLINE CRUCIAL PARTNERSHIP PILOT PROGRAM

The Airlines Crucial Partnership Pilot Program proposes a two-month pilot of an air service investment process that leverages existing tourism partner relationships with the CNMI to build momentum for the tourism market and ensures controlled arrival patterns for risk mitigation protocols.

The Pilot Program has five components:

1

LOAD

Airlines from South Korea are provided an opportunity to enroll in the program that will recognize the limited existing demand among the South Korean travel market through the establishment of an incentive package. This package offers discounts on airline landing fees along with a fund that will provide \$45,000 to subsidize up to 40% of the airline's load factor. No subsidy is envisioned for load factors above 40%.

2

PRICE

Prices for travel to the CNMI under the Pilot Program will be targeted at a ticket price of no more than \$400 a head.

3

FREQUENCY

The target for flight frequency within the Pilot Program will be one flight per week for the first 8 weeks.

4

SELECTION

Two airlines who meet the required criteria of the Pilot Program will be selected to run flights under the conditions and partnership proposed in the CNMI TRIP.

5

GATEWAY

The implementation of the comprehensive CNMI TRIP proposal will be implemented with the partnership of the CNMI Tourism and Healthcare stakeholders to ensure compliance with the risk mitigation protocols.

HYBRID QUARANTINE FACILITY – HOTEL

The requirement to ensure visitors are isolated from the resident population is a cornerstone of both the Tourism Resumption Blueprint and the CNMI TRIP. The CNMI TRIP proposes to ensure visitor isolation while providing a modified visitor experience in a Hybrid Quarantine Facility. The Hybrid Quarantine Facility will operate regular resort accommodations, similar to the pre-pandemic environment while establishing safeguards to ensure continued isolation and resident protection during a mandated 5-day containment period.

For the Pilot Program period, it is proposed that a single facility assumed the designation as the Hybrid Quarantine Facility. This facility will be permitted to receive guests originating from the airline approved to operate in this period, and guests would be allowed to partake in recreational and dining options available in the strict confines of the facility. No guests will be permitted to exit the facility during the mandatory 5-day quarantine period.

Further, the facility staff will undertake similar quarantine measures during the Pilot Program, subject to the CNMI COVID-19 Task Force guidance and regulations to ensure the resident population is safeguarded from potential risk.

A single weekly flight cannot provide the sufficient capacity to ensure full operation of a facility's amenities, and for this reason, and to ensure adequate marketability of and the demand for the CNMI as a destination the CNMI TRIP proposes support for operations, staffing, and the acquisition of Personal Protective Equipment.

The CNMI will cover the cost of room nights for visitors during the duration of the mandatory quarantine period. Meals are not included in the room price.

**TRAVEL PATTERN – FIRST FIVE DAYS OF ARRIVAL**

The CNMI TRIP proposes a broad-scale adjustment in the visitor experience in the CNMI, the greatest alteration is present in the pre-arrival processes and the five days after the visitor's arrival.

PRE-DEPARTURE

All visitors will be required to submit a negative PCR test taken within 72 hours of departure from South Korea before boarding a flight to the CNMI. All visitors will be required to submit their information to the CNMI SARA Alert System for tracking and accountability.

DAY 1	All passengers will receive a PCR test after transportation to the designated quarantine site. During the processing of this test, all visitors must remain in their respective rooms.
DAY 2	Upon receiving negative results from the PCR test, visitors will be free to enjoy the facility and its allowable amenities. All staff members of the facility who are in contact with the visitors will also remain in the facility.
DAY 3-4	Visitors will be able to continue to use the facility's amenities inclusive of water parks, beaches, and restaurants within the designated boundaries of the facility. This period highlights the advantage of the Hybrid Quarantine framework that will allow for a positive visitor experience even though visitor options are limited to the facility. As envisioned in the Tourism Resumption Blueprint, the Hybrid Quarantine facility will serve as the central node of the Tourism Corridor, and the corridor will be expanded to encompass managed off-site travel to external nodes which would include the opportunity to participate in recreation activities such as golfing. Transportation and risk containment efforts will be provided in all approved external offerings and visitors will remain in isolation from the resident population.

DAY

5

After receiving one more negative PCR test result, the visitor will be able to leave the Hybrid Quarantine facility and enjoy the island. Visitors must exit the Hybrid Quarantine facility following the 5th day and seek accommodations in a separate facility.

In the days that proceed departure from the Hybrid Quarantine facility, the CNMI TRIP proposes to extend support to partner hotel establishments to assume the remaining portions of the visitor's stay in the CNMI. It is envisioned that this system would permit greater levels of control and risk monitoring of visitors throughout their stay in the CNMI and broaden the impact of tourism spending. Hotels included in this additional layer of protection would constitute the Hotel Corridor.

POP HOT MONITORING

A critical component of the CNMI TRIP is the integration of the tourism sector to the COVID-19 monitoring and response framework. The CNMI TRIP proposes to support the COVID-19 monitoring system through a Pop Hot system that allows for rapid response and containment of any visitor that tests positive for COVID-19 while in the CNMI. If a visitor becomes COVID positive at any time during their stay, 100% of the expenses paid prior to departure (hotel/airline) will be refunded. Treatment will be at zero cost.

TRAVEL BUCKS

As an additional incentive to travel to the CNMI, the CNMI TRIP proposes the creation of a Travel Bucks system, that serves as cash-equivalent tokens for each visitor to spend on approved locations within both the Hybrid Quarantine facility and in external purchases following the mandatory 5-day quarantine. This system supports consumer activity among visitors and serves to guide visitors toward approved locations that have been adequately fitted to be components of the CNMI's wider COVID-19 threat monitoring and response framework. The greater resources placed in supporting domestic expenditures provide a direct stimulus to support employment among residents employed across all sectors of the economy.

POST-PILOT PROGRAM

Following the successful implementation of the Airlines Crucial Partnership Pilot Program, additional airlines would be included in the program that will run monthly until December 2021. Each new additional air service provider will be afforded the subsidy on load factors and will operate service once per week.

BENEFITS

From initial conversations undertaken by the CNMI Tourism Resumption Task Force with airline partners for the South Korean market, it is assumed that initial demand will be low for the inception of this program. This is to be anticipated. However, it is assumed that will successful implementation and continual advancements to the program following the Pilot Program, demand will increase incrementally toward greater levels of arrivals.

In measuring the benefits, the following scenarios have been modeled to estimate the impact of resumption based on three scenarios of demand growth in the months following the Pilot Program.¹

Under the scenario of a 5% increase in demand per flight, the Total Economic Value of the CNMI TRIP is estimated to be \$18,415,867.99.

	Arrivals	Direct Impact	Indirect Impact	Total Impact
Jul-21	696	\$ 500,236.08	\$ 810,382.45	\$ 1,391,809.46
Aug-21	696	\$ 500,236.08	\$ 810,382.45	\$ 1,391,809.46
Sep-21	1,305	\$ 1,427,317.65	\$ 2,312,254.59	\$ 4,029,319.61
Oct-21	1,096	\$ 1,198,946.83	\$ 1,942,293.86	\$ 3,384,628.47
Nov-21	1,151	\$ 1,258,894.17	\$ 2,039,408.55	\$ 3,553,859.89
Dec-21	1,511	\$ 1,652,298.59	\$ 2,676,723.72	\$ 4,664,441.11
Total	6,455	\$ 6,537,929.40	\$ 10,591,445.62	\$ 18,415,867.99

Under the scenario of a 10% increase in demand per flight, the Total Economic Value of the CNMI TRIP is estimated to be \$19,622,145.54.

	Arrivals	Direct Impact	Indirect Impact	Total Impact
Jul-21	696	\$ 500,236.08	\$ 810,382.45	\$ 1,391,809.46
Aug-21	696	\$ 500,236.08	\$ 810,382.45	\$ 1,391,809.46
Sep-21	1,305	\$ 1,427,317.65	\$ 2,312,254.59	\$ 4,029,319.61
Oct-21	1,148	\$ 1,256,039.53	\$ 2,034,784.04	\$ 3,545,801.25
Nov-21	1,263	\$ 1,381,643.49	\$ 2,238,262.45	\$ 3,900,381.38
Dec-21	1,737	\$ 1,899,759.79	\$ 3,077,610.86	\$ 5,363,024.39
Total	6,846	\$ 6,965,232.62	\$ 11,283,676.84	\$ 19,622,145.54

Under the scenario of a 15% increase in demand per flight, the Total Economic Value of the CNMI Trip is estimated to be \$20,911,024.15.

	Arrivals	Direct Impact	Indirect Impact	Total Impact
Jul-21	696	\$ 500,236.08	\$ 810,382.45	\$ 1,391,809.46
Aug-21	696	\$ 500,236.08	\$ 810,382.45	\$ 1,391,809.46
Sep-21	1,305	\$ 1,427,317.65	\$ 2,312,254.59	\$ 4,029,319.61
Oct-21	1,201	\$ 1,313,132.24	\$ 2,127,274.23	\$ 3,706,974.04
Nov-21	1,381	\$ 1,510,102.07	\$ 2,446,365.36	\$ 4,263,020.14
Dec-21	1,985	\$ 2,170,771.73	\$ 3,516,650.20	\$ 6,128,091.45
Total	7,263	\$ 7,421,795.85	\$ 12,023,309.28	\$ 20,911,024.15

In total, it is assumed that the benefits of the CNMI TRIP will range from the conservative \$18.4 million to \$20.9 million in Total Economic Value.

¹Estimates assumed an initial demand of 87 pax per flight (a 50% presumed load factor), with 8 flights a month in July and August and 12 flights per month at that level of demand in September. Increments to demand are assumed in October through December. For estimates of Economic Value without increases in demand from the baseline assumption, assume the Total Economic Value for September 2021 as the estimated amount for the subsequent months through December. Visitor expenditure data is derived from MVA visitor survey data for South Korean visitors. ADR is assumed to be \$150, and Average Length of Stay is assumed to be two days in the months of July and August to account for the 5 day mandatory quarantine period. Average length of stay for the remaining months is assumed to be seven days to correspond with flight patterns proposed in this plan.

COSTS

The CNMI TRIP proposes activities that incur a cost to the CNMI government to support initial mobilization and investment into the marketability of both the program and the CNMI as a destination. The CNMI Tourism Resumption Task Force sees these expenses as investments necessary to generate economic returns given the tremendous hurdles present in the global tourism market caused by the COVID-19 pandemic.

As previously stated, the Airlines Crucial Partnership Pilot Program, costs, at the most, \$45,000 per flight. The cost for implementing this Pilot Program are as follows:

1st Week	2nd Week	3rd Week	4th Week
\$90,000	\$90,000	\$90,000	\$90,000

This results in a potential monthly total of \$360,000.



Source: Marianas Visitors Authority



The Pilot Program's cohesive efforts, together with the Hybrid Quarantine facility, subsequent hotel corridor, PCR testing, Pop Hot Funds, and the Travel Bucks program are included in the following table. Costs associated with some of these expenses are determined by the total quantity of visitors arriving in the CNMI. For demonstrative purposes, three scenarios are depicted based on Load Factors of arriving air carriers.

8 Week Pilot Program July 1, 2021– August 31, 2021			
	20% Load Factor	50% Load Factor	100% Load Factor
Airline Incentive	\$ 800,000.00		
Hybrid Quarantine Facility	\$ 5,000,000.00	\$ 5,000,000.00	\$ 5,000,000.00
POP Hot Funds <small>*Only if tourist test COVID-19 Positive</small>	\$ 1,000,000.00	\$ 1,000,000.00	\$ 1,000,000.00
PCR Testing <small>*Does not include Quarantine Facility Employees</small>	\$ 326,400.00	\$835,200.00	\$1,670,400.00
Travel Bucks	\$ 816,000.00	\$2,088,000.00	\$4,176,000.00
TOTAL	\$ 7,942,400.00	\$8,923,200.00	\$11,846,400.00
Travel Agency Incentive Program <small>*Maximum Potential Cost</small>	\$ 168,000.00	\$ 417,600.00	\$ 835,200.00
Familiarization Tour <small>*June 15th flight only. FamTour will stay in the CNMI for 14 days.</small>	\$ 500,000.00	\$ 500,000.00	\$ 500,000.00
TOTAL	\$ 8,610,400.00	\$ 9,840,800.00	\$ 13,181,600.00

In total, the Pilot Program proposed will cost between \$8.6 and \$13.2 million.

The following months after the Pilot Program, with the addition of additional air service providers, the monthly totals are as follows:

	September	October	November	December
Weekly Total	\$ 135,000.00	\$ 135,000.00	\$ 135,000.00	\$ 135,000.00
Monthly Total	\$ 675,000.00	\$ 540,000.00	\$ 540,000.00	\$ 675,000.00

The total cost for implementing the CNMI TRIP is estimated to be between \$11,040,400 and \$15,611,600 for the period from July 2021 to December 2021.

	Cost	Benefit
Low-range	\$ 11,040,400.00	\$ 18,415,867.99
High-range	\$ 15,611,600.00	\$ 20,911,024.15

RECOMMENDATIONS

The following are the actions recommended by the CNMI Tourism Resumption Task Force and based on conversations with stakeholders in the creation of the CNMI TRIP:

1 RECOMMENDATION 1: START DATE

Set a start date for the Pilot Program for July 1, 2021, with a Familiarization Tour on June 15, 2021. This is the date agreed upon by the Commonwealth Healthcare Corporation and the COVID-19 Task Force based on rates of community vaccination and current COVID-19 monitoring data.

2 RECOMMENDATION 2: AIR CARRIER SELECTION

Airline operators from South Korea should be given the opportunity to join in the Airlines Crucial Partnership Pilot Program and to provide their ability to offer services on terms agreeable by the Task Force. The Task Force has already consulted with four operators – T'Way, Asiana, Jeju Air, and Jin Air.

From these proposals, the Task Force recommends pursuing an airline partnership arrangement with airline operators that meets the following criteria:

- 40% of load factor be used as the basis for determining the eligibility into the per flight subsidy
- Existing arrangements to permit flight to the CNMI from South Korea
- Agreement to participate and adhere to the CNMI's COVID-19 monitoring and containment protocols
- Agreement to assist in the marketing of the CNMI as a safe and enjoyable destination.

3 RECOMMENDATION 3: HYBRID QUARANTINE FACILITY SELECTION

Based on the requirements for operating a strict Hybrid Quarantine facility in compliance with the regulations provided by the COVID-19 Task Force, the CNMI Tourism Resumption Task Force recommends the use of an existing hotel facility as the site for the Hybrid Quarantine facility. The selection of this facility should consider the following criteria:

- A facility that has obtained prior or existing approval as a CNMI quarantine facility for incoming arrivals from Guam.
- The facility maintains suitable amenities to provide options for guests during the 5 day mandatory quarantine period.
- The facility should provide an acceptable plan for quarantining staff who are in contact with visitors during the Pilot Program Period.
- The facility must be a self-contained resort with internal accommodations, such as food, entertainment, and be structured to permit strict containment of visitors during their mandatory quarantine period.



RECOMMENDATION 16

RECOMMENDED CONCEPTS FOR ENCOURAGING INTER-ISLAND TRANSPORTATION

As presented in the July 2021 meeting of the Governor's Council of Economic Advisers, the Council sees great promise in the development of the CNMI tourism market by enhancing the unique characteristics of Saipan, Tinian, Rota, and the Northern Islands to contribute to the development of The Marianas as a true multi-island destination. As has historically been the case with tourism development in the past, transportation between the islands remains to be our top priority. The lack of reliable inter-island transportation continues to limit tourism's growth. Decreased access to the islands of the CNMI has limited the ability of the economies of Tinian, Rota, and the Northern Islands to achieve a scale of commercial activity that would encourage greater rates of growth and development. This communication is intended to provide a range of potential options for the establishment of stronger transportation routes between our islands and partnerships that will be required to put them into effect.

1 AIRLINE SUBSIDIZATION FOR EXISTING CARRIERS

Proposal

Prior to the COVID-19 Pandemic, the CNMI was engaged in conversation with United Airlines to provide jet service to the island of Rota as an addition to the scheduled service between Saipan and Guam. This arrangement could potentially see a twice-weekly route that would add Rota International Airport to the flight path, once on the flight from Saipan to Guam and the other on the flight from Guam to Saipan. This service would dramatically increase total seat and cargo capacity to Rota, greatly increasing the opportunities for more tourist arrivals, and allowing for greater tourist-related industries to prosper.

This arrangement was considered by United to be a risk. In the discussions shared with Council members, the risks associated with the addition of Rota could be ameliorated through a partnership between the Government of the CNMI and United that would provide a line of credit to United that would serve as a guarantee of seats to be flown to Rota. This arrangement, while requiring the establishment of a line of credit that can be drawn upon by United, had great potential as it a limited risk to both the CNMI government and United and placed incentive and responsibility on the government and its private sector partners to develop greater demand for Rota as a destination. The greater demand for tourism arrivals to Rota would require less from the Line of Credit and would result in greater economic activity, government revenues, and employment in Rota.

This approach should be revisited as it placed a transparent structure for ensuring the true cost of service to Rota was incorporated into the use of public funds. The Line of Credit can be seen as a barometer for the success of the program, and policy and marketing can be adjusted and measured toward success.

Action Item

Re-engage with United Airlines on the resumption of subsidy negotiations

Possible Alternatives

The CNMI has experienced a great deal of difficulty in attempting to move the economy forward against a certain reading of the statutory constraints of the Government despite the clear public benefits that are presented. The CNMI could consider modeling the structure of this arrangement on prior successful efforts to provide air transportation subsidies. Should the Marianas Visitors Authority adopt the multi-island destination marketing effort, it could utilize its funding, as supplemented by the American Rescue Plan, to publish an RFP to support the marketing effort in the same manner as its marketing accounts in the CNMI's source markets. This budget could include the support for transportation that can create a partnership between the selected marketer and United to operate the program.

2 ESTABLISHMENT OF A MARITIME HIGHWAY DESIGNATION FOR THE CNMI

Proposal

Air access between the islands is but one means for achieving a greater scale of commercial activity for the CNMI. Within the islands, there is a great need for additional support and development of sea modes of transportation for both passengers and freight. Sea transportation between the CNMI should be reconceptualized as a critical transportation route similar to roadways within the islands. Just as roadways are supported by federal government resources, sea routes, similarly have federal funding support that the CNMI has yet to secure.

The Marine Highway Program, a program of the U.S. Department of Transportation's Maritime Administration (MARAD), has a single goal to expand the use of America's navigable waters. In doing so, MARAD works closely with public and private organizations to develop and expand marine highway service options and to facilitate the integration of marine transportation routes into the U.S. transportation system, especially where water-based transport is the most efficient, effective, and sustainable option.

MARAD provides grants to designated routes and projects. Currently, there are 26 "Marine Highway Routes" throughout the United States including routes in Hawaii and American Samoa.

The Marine Highway in Hawaii (the M-H1 Marine Highway Route) is sponsored by the State of Hawaii Department of Transportation and includes the waterways and ocean channels used to transport goods and commodities between the Hawaiian Islands of Hawaii, Maui, Molokai, Lanai, Oahu, and Kauai. The waterways include the Alenuihaha Channel, Auau Channel, Kealahakiki Channel, Pailolo Channel, Kalohi Channel, Kaiwi Channel, Kaieiewaho Channel, and the Kaulakahi Channel.



Source: Marianas Visitors Authority

Its attributes for listing as a Marine Highway state that “This marine highway is already the primary route for the movement of cargo into and through the state, and while the designation of a marine highway route will not necessarily reduce roadway or railway congestion, it would create operational efficiencies for ocean cargo carriers and shippers and promote short sea transportation. In addition, this route designation is an integral factor for continual growth and economic opportunities.”

The Marine Highway in American Samoa is sponsored by the Port of Pago Pago and includes the waterways and ocean channels between islands of the territory of American Samoa, within the Exclusive Economic Zone (EEZ). These Islands include” Tutuila, Aunuu, Ofu, Olosega, Ta’u, Swains and Rose Atoll.

Its attributes for listing as a Marine Highway state that “The marine highway system is basically the only viable transportation system to serve the residents on these islands. Air Service is very limited due to the relatively small runways. There is limited air service by small feeder aircraft consisting of 16 seaters, with small luggage only. There is no air service to Aunuu, Swains and Rose Islands. Safe take-off and landing weights for aircraft limit cargo to minimal luggage and cargo –the bulk of the commodities are shipped via the bi-weekly ferry service. Pago Pago Harbor, with the most natural deep water anchorages in the world, Tutuila is the largest and most populated of the seven islands and is a strategic midpoint for several critical shipping routes between the U.S West Coast, New Zealand, and Australia. American Samoa is 5,000 miles southwest of California; 2,500 miles southwest of Hawaii, and 1,600 miles northeast of New Zealand.”

There are overwhelming similarities in these two routes to the needs of the CNMI in terms of both passenger and cargo transportation between the islands. The CNMI should make a concerted effort among the central government, Department of Public Works, the Commonwealth Office of Transit Authority, and the Commonwealth Ports Authority to explore a Marine Highway Designation for the islands.

Marine Highway Route suggestions can be made to the Department of Transportation at any time. The Secretary will review promising route suggestions and declare those official Marine Highway Routes on a case-by-case basis.

Action Item

The CNMI should consider broadening the purpose of COTA to assume the responsibilities of establishing and operating an inter-island transportation network to service Saipan, Tinian, Rota, and potentially the Northern Islands through federal and local funding support. COTA, alongside CPA, could be designated as the responsible entities to pursue Maritime Highway designation and further grant applications and support.

Possible Alternatives

The CNMI Department of Public Works has, historically, taken on different forms and functions throughout its existence in the Commonwealth. In their current mandate, they cover a wide array of responsibilities in both project development and permitting. A viable alternative would be to provide focus to the CNMI's transportation development needs, both intra- and inter-island through the creation of the CNMI Department of Transportation, which would assume COTA under its umbrella and co-located all U.S. Department of Transportation funding sources into a single department.

3

Pursuit of Essential Air Service and Small Community Air Service Development Program Resources**Proposal**

The Essential Air Service (EAS) program was instituted to guarantee that small communities that were served by certified air carriers before the deregulation of the industry in 1978 continued to maintain a minimal level of scheduled air service.

Since that time, the FAA Modernization and Reform Act of 2012 amended 49 U.S.C. § 41731(a)(1)(B) to change the definition of “eligible place” for the purpose of receiving EAS. The amendment states that to be eligible, a community must maintain an average of 10 enplanements or more per service day, as determined by the Secretary, during the most recent fiscal year beginning after September 30, 2012. The legislation exempts locations in Alaska and Hawaii and communities that are more than 175 driving miles from the nearest large- or medium-hub airport.

The Secretary also has the authority to waive the 10-enplanement standard, on an annual basis, if the community can demonstrate that the reason the location averages fewer than 10 enplanements per day is due to a temporary decline in enplanements. 49 U.S.C. § 41731(e).

Among other things, 49 U.S.C. § 41731 states that to be eligible, a community must have had an average subsidy per passenger of less than \$1,000 during the most recent fiscal year, as determined by the Secretary of Transportation or face termination of subsidy eligibility, regardless of the distance to a hub airport.

The Consolidated and Further Appropriations Act, 2015, Public Law No. 113-235 states, “[T]hat none of the funds in this Act or any other Act shall be used to enter into a new contract with a community located less than 40 miles from the nearest small-hub airport before the Secretary has negotiated with the community over a local cost share.” Therefore, the Department is required to negotiate a local cost share with communities located less than 40 miles from a small-hub.

Presently the CNMI is not eligible for the ESA program as the CNMI’s airports do not meet the requirements of 49 U.S.C. 41731 (a)(1)(D), which states that the definition of an eligible place means a place in the United States that:

“(a) General – In this subchapter–

(1) “eligible place” means a place in the United States that–

(A) (i) (I) was an eligible point under section 419 of the Federal Aviation Act of 1958 before October 1, 1988;

(II) received scheduled air transportation at any time after January 1, 1990; and

(III) is not listed in Department of Transportation Orders 89-9-37 and 89-12-52 as a place ineligible for compensation under this subchapter; or

(ii) was determined, on or after October 1, 1988, and before the date of the enactment of the FAA Extension, Safety and Security Act of 2016 (Public Law 114-190), under this subchapter by the Secretary of Transportation to be eligible to receive subsidized small community air service under section 41736(a)

(B) had an average of 10 enplanements per service day or more, as determined by the Secretary, during the most recent fiscal year beginning after September 30, 2012;

(C) had an average subsidy per passenger of less than \$1,000 during the most recent fiscal year, as determined by the Secretary; and

(D) is a community that, at any time during the period between September 30, 2010, and September 30, 2011, inclusive–

(i) Received essential air service for which compensation was provided to an air carrier under this subchapter; or

(ii) Received a 90-day notice of intent to terminate essential air service and the Secretary required the air carrier to continue to provide such service to the community."

The provision of the U.S. Code provides, however, an exemption to this and other requirements for Alaska and Hawaii in 49 U.S.C. 71731(c), which states:

"(c) Exception for Locations in Alaska and Hawaii – Subparagraphs (B), (C), and (D) of subsection (a) (1) shall not apply with respect to locations in the State of Alaska or the State of Hawaii.

The Council believes that the CNMI should request an amendment to this statute to include within the exception for these requirements the CNMI.

Alternatively, the CNMI should pursue the avenues for eligibility presented in 49 U.S.C. 41736 that provides for the framework in which noneligible places can provide a proposal to the Secretary of Transportation for compensation if "the State or local government or a person is willing and able to pay 50 percent of the compensation for providing the transportation..."

Similar to the EAS is the Small Community Air Service Development Program (SCASDP), which is a grant program designed to aid small communities in addressing air service and airfare issues. The SCASDP and EAS are similar but distinct as the SCASDP's eligibility criteria are broader and provide grant applicants the opportunity to self-identify their air service deficiencies and propose appropriate solutions. SCASDP can involve, among other elements, revenue guarantees, financial assistance for marketing programs, start-up costs, and studies.

Only public entities may apply for and serve as the legal sponsor of a grant under the Small Community Program. Private organizations cannot be the lead applicant. A community may file only one application for a grant, either individually or as part of a consortium. Communities that do not currently have commercial air service are eligible for SCASDP funds.

The Department is authorized to award grants under 49 U.S.C. § 41743(d) to communities that seek to provide assistance to:

- A U.S. air carrier to subsidize service to and from an underserved airport for a period not to exceed three (3) years;
- An underserved airport to obtain service to and from the underserved airport; and/or
- An underserved airport to implement such other measures as the Secretary, in consultation with such airport, considers appropriate to improve air service both in terms of the cost of such service to consumers and the availability of such service, including improving air service through marketing and promotion of air service and enhanced utilization of airport facilities.

Action Item

The CNMI should consider working toward a legislative addition to include the CNMI as an eligible location for the EAS program. Further, the CPA should be encouraged to seek out and apply for the SCASDP grant to support air service to Tinian and Rota.

Possible Alternatives

Under 49 U.S.C. 41736, the CNMI could present a proposal for EAS type compensation to the Secretary of Transportation should it have the means to support the 50 percent share of the cost of inter-island service subsidies.

RECOMMENDATION 17 RECOMMENDATION TO SUPPORT THE COMMERCIAL FISHING INDUSTRY IN THE CNMI

Fishing is a culturally significant component of both the historical and modern life of residents of the Mariana Islands. Over the course of centuries of colonial rule and war, the patterns of fishing in the Northern Marianas have shifted dramatically. With changes in economic conditions throughout the last several decades, fishing as a component of economic development has suffered.

At the height of the CNMI's tourism market in 1997, the importation of fish into the Commonwealth fell by 85% from the 6-year period that preceded the rise in economic activity. In this surge of arrivals, came the increased demand among local hotels and restaurants for fresh sea products.² It has been reported that during this time, an increasing number of local businessmen entered into commercial fishing operations to meet this demand.

The trends in domestic value and size of fishing in the CNMI mirrors that of the larger economic trends occurring in the CNMI. Further, analysis in the commercial pounds landed in the CNMI during this period shows a statistically significant negative relationship with the price of crude oil ($R^2 = .45$, p -value 0.01).³ This relationship between the cost of oil and fishing productivity, however, breaks in 2015.

The relationship between fishing value, oil costs, and diminished fishing productivity is at odds with the historic data. Between 2015 and 2017, the CNMI experienced the highest levels of economic growth and activity in decades, and global oil prices fell considerably, yet the output of CNMI fisheries did not correspond with these trends.

Overall the price per pound has fallen in the CNMI over the period between 1990 and 2019, with a negative growth rate of 4.2%. Similarly, the total value of commercial fish output has declined considerably, over the course of this period, with the greatest rate of decline between 2005 and 2011 where the overall value of commercial fish catches fell by 62%.

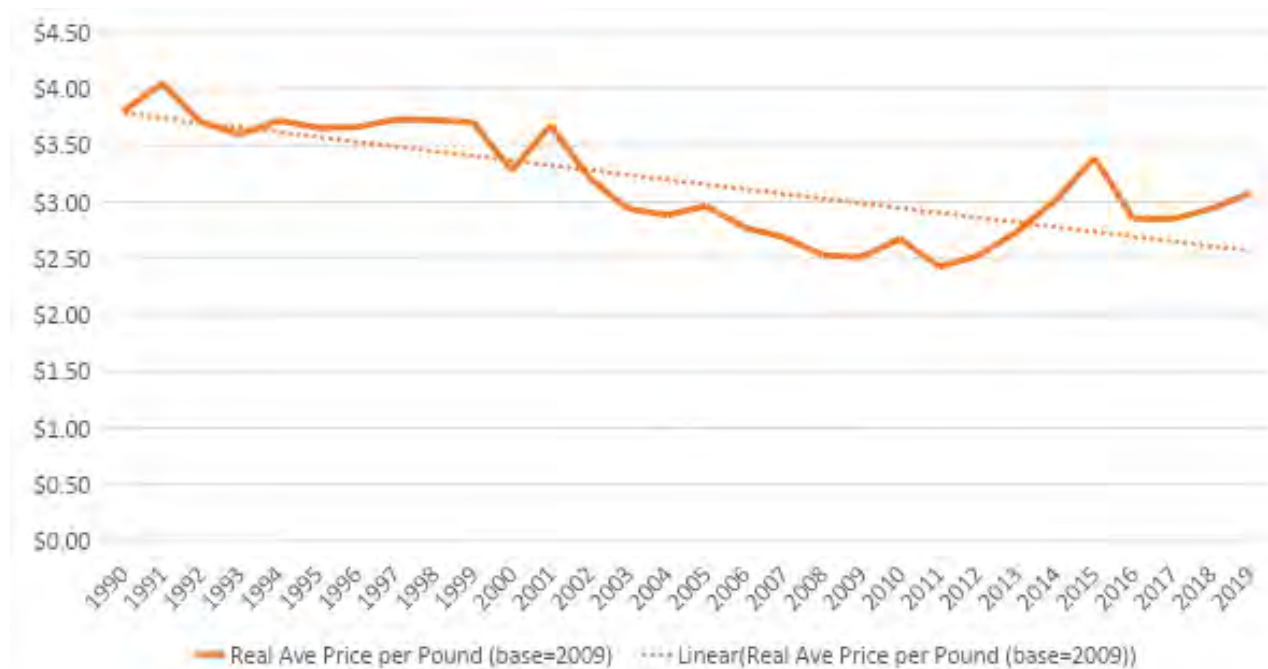


Figure 1: Real Ave Price per Pound (base=2009)

²NOAA Technical Memorandum NMFS-PIFSC-36. "CNMI as a Fishing Community". Nov 2012. P. 78

³Data used in total volume of fish caught, price, and price per pound were derived from data available through the Pacific Islands Fisheries Science Center. <https://apps-pifsc.fisheries.noaa.gov/wpacfin/home.php>

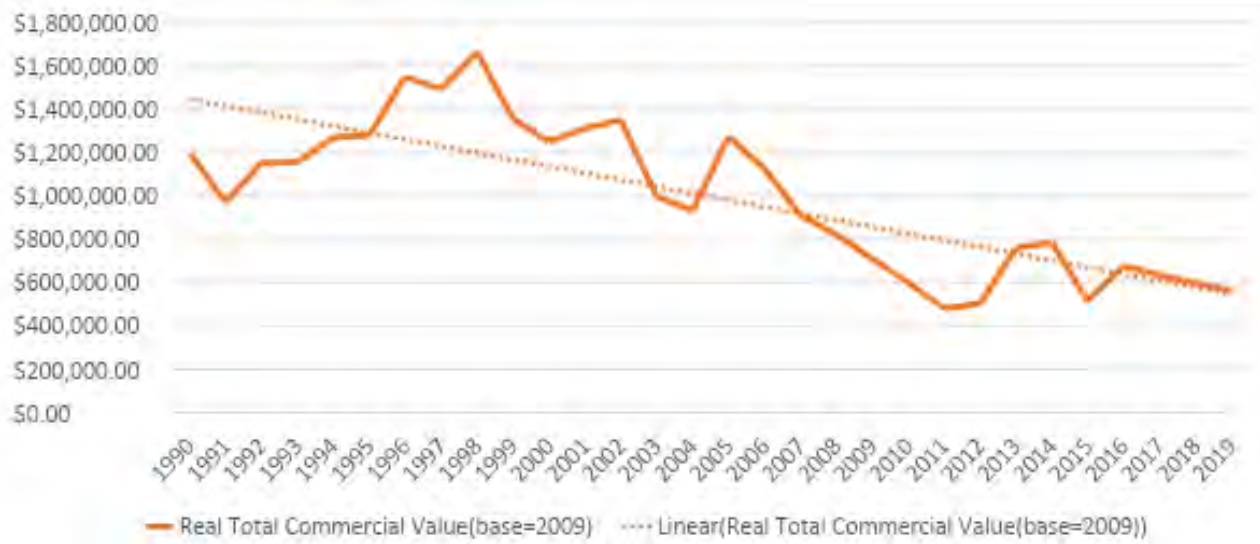


Figure 2: Real Total Commercial Value(base=2009)

The Council of Economic Advisers finds that commercial opportunities within the domestic fishing industry have promise in the resurging economy of the post-COVID-19 era. However, otherwise expected growth in this sector, given the rate of overall economic growth and related variables, has been limited by the levels of physical capital employed in commercial fishing.

Recent data from the Bureau of Motor Vehicles provides the change in the number of boat registrations in the Commonwealth between 2019 and 2020. Data from 2019 shows that of the 360 vessels registered in the Commonwealth, 27 or 8% were employed in commercial fishing. The predominant use category for vessels was vehicles used for pleasure.

Hull Material	Under 16 Feet		16 to 25 Feet		26 to 39 Feet		40 Feet and Above	
	Inboard	Outboard	Inboard	Outboard	Inboard	Outboard	Inboard	Outboard
Wood							1	
Fiberglass		97	9	169	8	4	15	3
Metal					15	32		
Inflatable		2						
Aluminum		3		2				

Type of Use	Total Number of Registered Vessels	Percent of Total
Pleasure Use	261	73%
Commercial Fishing	27	8%
Carrying Passengers for Hire	65	18%
Other Commercial Use	7	2%
TOTAL	360	100%

Section II ACTIVITIES OF THE COUNCIL IN 2021

In 2020, the total number of vessels registered in the Commonwealth was 298 with 18 vessels being registered as being used for commercial use. Between 2019 and 2020, the total number of vessel registrations fell by 17% and fell by a greater percentage in commercial fishing, with a total decline of 33.3%.

Hull Material	Under 16 Feet		16 to 25 Feet		26 to 39 Feet		40 Feet and Above	
	Inboard	Outboard	Inboard	Outboard	Inboard	Outboard	Inboard	Outboard
Wood								
Fiberglass		89	3	145	19	28	12	1
Metal		3	1			1	2	
Inflatable		1						
Aluminum		2						

Type of Use	Total Number of Registered Vessels	Percent of Total
Pleasure Use	234	79%
Commercial Fishing	18	6%
Carrying Passengers for Hire	39	13%
Other Commercial Use	6	2%
TOTAL	298	100%

Given the economic uncertainties caused by the COVID-19 pandemic this decline is not unreasonable with the noted decline in overall economic activity in 2020, however, if the CNMI commercial fishing industry were to reach the total catch quantities of its peak in 1998, the existing fleet would have to increase total volume by 300% in order to meet this figure. This is not likely given the capabilities that presently exist.

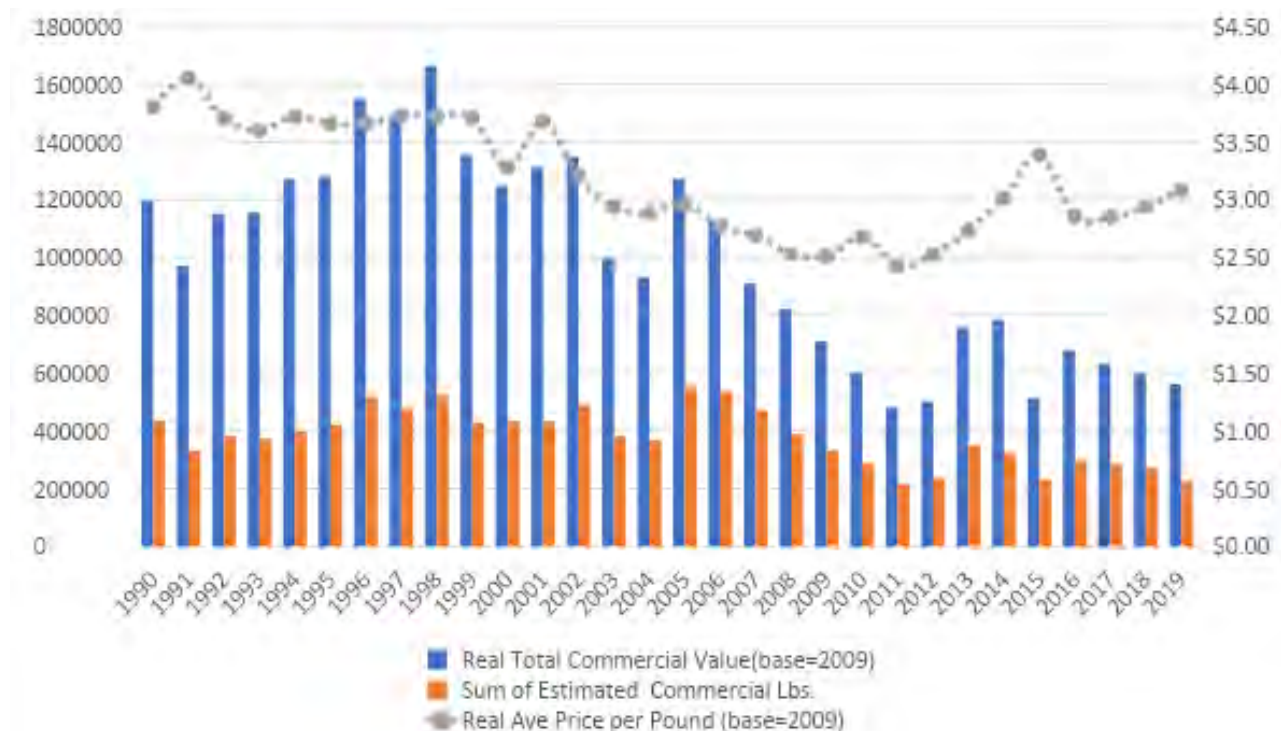


Figure 3: CNMI Commercial Fisheries Output

To increase the number of commercial fishing vessels currently in operation in the CNMI, financing options should be made available to provide private sector actors to acquire the necessary financial capital to make upfront investments in a fishing vessel, which ranges from \$50,000 and upwards according to sources within the market.

This financing is hard to acquire in traditional options in the CNMI. Commercial lending institutions, such as the Bank of Guam and First Hawaiian Bank, do not offer financing for boats. Previous financial options sought an amortization schedule of 5 years, which does not correspond with typically longer terms provided to boat financing in other jurisdictions.

The Council believes that in the development of the commercial fishing industry there are tremendous opportunities to decrease capital outflows through the importation of fish, and the expansion of domestic production and incomes, a greater level of public support can be provided to resolve an existing market failure in the financing of this industry.

Further, the COVID-19 pandemic has highlighted a significant issue of food security in the CNMI. With international supply chains disrupted by concerns related to the pandemic, food security has necessarily become an area of paramount priority among public policymakers across the Pacific and the world.

Therefore, the Council recommends the use of funds provided under the American Rescue Plan Act (ARPA) to aid in the support of providing an option for financing through the Commonwealth Economic Development Authority.

If provided with an allocation of \$4.5 million, CEDA could establish a program that would support the acquisition of commercial fishing vessels and ensure their participation in providing domestically sourced fish to the CNMI population. As the ARPA funding is intended to be administered and expended within the time period allotted to the program, the Council sees an opportunity for the CNMI to expend funds to directly boost the fishing industry, providing the necessary injection of capital to establish the industry for the long-term.

The Council proposes that CEDA utilize a portion of their allotted ARPA funds toward establishing a program that would see the provision of funding to interested commercial fishermen that would support the acquisition of a fishing vessel, engine, and equipment to begin operation.

The Council recommends the following form for the program:

1

Interested fishermen would establish a formal business under CNMI laws and regulations and submit to CEDA their application for one of four funding amounts:

- Tier 1 – \$25,000 or below
- Tier 2 – \$25,001 to \$50,000
- Tier 3 – \$50,001 to \$70,000
- Tier 4 – \$70,001 to \$100,000

2

Each tier would be associated with the cost necessary to procure a fishing vessel or engine and associated supplies to enter into operation as a commercial fisherman. These costs are supported by a proposal submitted by the applicant.

3

CEDA would retain a first-priority lien on the acquired vessels for a minimum timeframe determined by the tier:

- Tier 1 – 3 years
- Tier 2 – 5 years
- Tier 3 – 7 years
- Tier 4 – 10 years

4

In lieu of a loan, which may be impermissible under ARPA guidelines, CEDA will ensure continued application of acquired vessels in the commercial fishing trade through the following:

- Each recipient will submit to CEDA their gross receipts of sales (as showcased by their respective BGRT filing documents)

- Revenue gained by the recipient would deduct from their funding amount. For example, if funding is \$55,000 total and the operation received \$10,000 in revenue the first year, the remaining balance for the five-year period would be \$45,000. In other words, for every dollar of fish sales revenue gained through the use of the vessel, a dollar will be counted towards meeting the revenue requirement under the program.
- At either the end of the time period associated with each tier or after the recipient has generated revenue equal to the funding amount, whichever occurs later, the ownership of the vessel will transfer to the fisherman

5

To ensure full compliance with the requirement for the vessel to be employed in the commercial fishing industry, should the recipient not submit the required proof of revenue, the boat shall be returned to CEDA to be reissued to another qualified commercial fisherman or sold by CEDA.

6

All maintenance and repairs to the vessels will be the responsibility of the recipient. The recipient must maintain possession of the vessel at all times and keep it in good working condition. The recipient may employ other fishermen as needed to operate the vessel and conduct fishing operations.

7

The recipient shall procure and maintain marine hull insurance for the vessel's funding amount and provide CEDA with proof of insurance.

8

CEDA could consider pooling the insurance risk of participants of this program by purchasing insurance from the private insurance market for eligible vessels and passing on the cost to participants. This would ensure compliance with the requirement for insurance and reduce costs for individual participants.

9

Other than for repairs to the vessel, should the recipient+ be unable to continue operation of the vessel for more than 120 consecutive days, for any or no reason, that recipient can arrange with CEDA to assign the vessel and the reporting requirements of the program to another qualified fisherman or return the vessel to CEDA

10

Each recipient will also be mandated to ensure all receipts, invoices, and purchase documents are provided to CEDA for reporting under the ARPA guidelines.

11

To accommodate for the limits of funding allocated for this program, it is suggested that applications be processed on a first come first serve basis in semi-annual rounds. If funding remains available after the first semi-annual round or any subsequent rounds, or if there are vessels returned to CEDA eligible to be returned into the program, additional rounds could be authorized until funding is exhausted or the ARPA program terminates in December 2023.

The Council believes that this structure provides the key capital requirement for initiation of the CNMI's commercial fishing industry and sets forth the structure to ensure continued participation in the industry. Further, the development of this industry is in the best interest of the overall economy, as it supports additional linkages with the tourism economy, allows for greater capital accumulation among the resident population and reduces the external outflows of capital associated with the importation of fish products.

In 2019, the CNMI imported \$5.6 million in fish products. Should the domestic fishing industry grow to the levels of economic activity seen in the peak tourism period in the 1990s, and an associated reduction in the import value of fish be equal to that period's import decline of 85%, the CNMI would reduce its loss of domestic capital by nearly \$4.8 million. This reduction would amount to an increase in domestic consumption ability, with an estimated direct and indirect expenditure benefit to the Commonwealth of approximately \$7.4 million. If sustained, this represents a considerable return of investment for the CNMI on an annual basis.

Longer-term, the CNMI requires the establishment of a fisherman's coop. Cooperative arrangements between actors in a particular sector serve a considerable purpose in the effective functioning of a marketplace. With a product such as fish, which lacks product differentiation within species in a competitive marketplace, the competition toward the lowest price per pound diminishes incentives to supply to the market, lowers overall supply in the long run, and limits the opportunity for purchasers to support domestic entrepreneurs. A coop of fishermen in the CNMI could aggregate catches, set consistent pricing for fishermen, and enter long-term contracts with purchasers with greater efficiency and supply guarantees.

This direct investment program for commercial fishermen can aid in the development of a fisherman's coop. CEDA can take the lead in acquiring a preferred interest in a privately established coop, and future lending can be provided under the provision that sales be made directly to a coop and establish complementary benefits to fishermen for active participation in the coop organization.

RECOMMENDATION 18

ESTABLISH A DESTINATION TRANSFORMATION PARTNERSHIP PROGRAM

Since the establishment of the Governor's Council of Economic Advisers, a long-standing objective has been aiding the CNMI government in its efforts to mobilize and best use the surge of federal assistance made available as a result of Super Typhoon Yutu and the COVID-19 pandemic. We are grateful for the progress thus far in securing partnerships across agencies to support faster implementation and the bringing in of private sector knowledge and experience to enhance permitting and regulatory efficiency toward this effort.

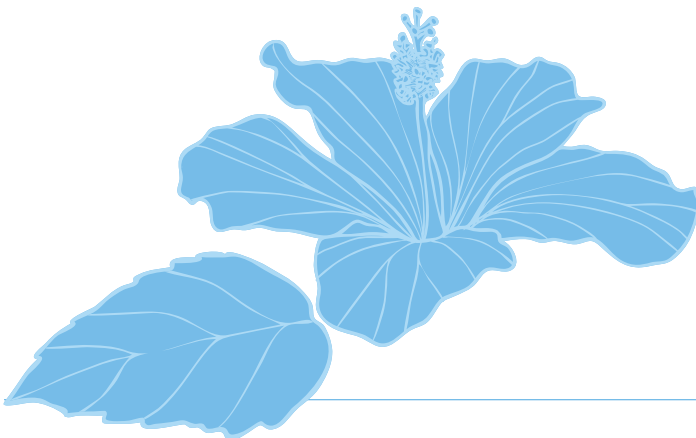
The Council would like to propose a subsequent recommendation to secure substantial renovation and transformation of key community facilities through a concerted partnership utilizing funding made available through the American Rescue Plan Act (ARPA).

The Council has noted that capacity constraints within the CNMI government can be at the detriment to the full mobilization of the nearly \$1 billion in federal resources made available to the Commonwealth. There currently exists a large number of substantial projects that must take priority to expend funds expeditiously and toward the alleviation of long-standing issues with public infrastructure. We applaud efforts being made toward prioritizing critical public infrastructure repairs and construction projects as they are needed and critical to the success of our economy and community. However, there exists a wide variety of smaller projects that are in line with the intents of the ARPA funds but require partnerships to ensure the timely deployment of funds to succeed.

The recognition of the need to transform our community infrastructure throughout the Commonwealth is greatly appreciated. The parks, tourist sites, and community locations play a key role in our community and our economy, and, while widely dispersed, can combine to represent a large and significant development of our island's public and tourism infrastructure. Already, the Council has built upon the needs of the Marianas Visitors Authority to provide a comprehensive listing of community infrastructure priorities and cost estimates that amount to a \$25 million infusion of resources toward enhancing the image and value of community sites for the residents and visitors alike.

This comprehensive proposal contained the listing of sites and associated costs that sought to invest \$13 million into Tourist Sites on Saipan, Tinian, and Rota; \$6 million for Beaches and Parks on Saipan, Tinian, and Rota; \$3 million for Sidewalks, Bike Lanes, and Medians; \$1.25 million for Village Facilities; \$750k for Nature Trails; \$500k for New Projects on Tinian and Rota; and \$500k for ongoing Maintenance. This comprehensive listing is provided at right:

Project	Amount
Tourist Sites	\$13,000,000
Saipan	\$8,700,000
Tinian	\$2,050,000
Rota	\$2,250,000
Village Facilities	\$1,250,000
Beaches & Parks	\$6,000,000
Saipan	\$3,055,000
Tinian	\$1,110,000
Rota	\$1,835,000
Sidewalks, Bike Lanes, Medians	\$3,000,000
Nature Trails	\$750,000
Maintenance	\$500,000
New Projects	\$500,000
Tinian	\$225,000
Rota	\$275,000
Total	\$25,000,000



Section II ACTIVITIES OF THE COUNCIL IN 2021

In recognizing the need for immediate action toward the expenditure of funds, the Council further refined this listing to the most immediate and achievable projects throughout Saipan, Tinian, and Rota amounting to an investment of \$5.5 million in ARPA Section 602(c)(1)(A) funds. This priority listing is comprised of projects that are estimated to be at minimal cost and ready for implementation.

Project	Amount
Tourist Sites	\$1,300,000
Last Command Post	\$200,000
Korean Peace Memorial	\$50,000
Japanese Peace Memorial & Tower of Okinawa	\$50,000
Suicide Cliff	\$100,000
Forbidden Island Lookout & Trail	\$100,000
Airport Road, Saipan	\$200,000
Airport Road, Tinian	\$200,000
Airport Road, Rota	\$200,000
Songsong Village Lookout	\$200,000
Village Facilities	\$1,250,000
Beaches & Parks	\$735,000
Pau Pau Beach	\$225,000
Micro Beach	\$225,000
Sugar Dock Beach	\$225,000
Jones Beach	\$30,000
Mochong Beach	\$30,000
Nature Trails	\$750,000
Maintenance	\$500,000
New Projects	\$500,000
Tinian	\$225,000
Rota	\$275,000
MINA Fund Management	\$500,000
Total	\$5,535,000

While resources within the government have, understandably, been targeted at larger cost efforts, there is tremendous value in creating a pathway for the community to be entrusted with the development of certain elements of its infrastructure. To accomplish this and the greater goal of transforming the CNMI's Tourism Product, the Council requests the establishment of a partnership between government and community organizations to lead the charge on the implementation of these projects for our islands.

Destination Transformation Partnership Proposal

The Council believes that partnerships are the key to the successful and full implementation of the funds our community has been provided. In the past year, successful partnerships have been established between the private sector and the CNMI government through the Adopt a Median Campaign, Marianas Village Pride Campaign, collaborative policymaking, and of course the maintenance of key sites across the CNMI through the Council's PPP initiative. These examples lend toward a framework to expand upon successes to accomplish the larger goal of mobilizing federal resources to begin the true transformation of our destination.

The Council proposes to establish a key partnership between the CNMI government, and the Mariana Islands Nature Alliance (MINA), a 501(c)(3) community nonprofit, to support the enhancement, redevelopment, and construction of key locations utilizing Section 602(c)(1)(A) funds provided by the ARPA program.

To pilot this approach the Council proposes the development of a partnership between the Commonwealth government and the Mariana Islands Nature Alliance (MINA), a 501(c)(3) community nonprofit organization, to receive \$5.5 million in ARPA Section 602(c)(1)(A) funds to manage the construction and rehabilitation of five key categories of community sites across Saipan, Tinian, and Rota. MINA is an ideal organization to fulfill this role, as they maintain the staff and experience

in mobilizing federal resources toward the improvement of community sites and facilities. A partnership established with MINA can build community ownership of these sites and facilities and alleviate administrative limitations existing with CNMI Departments and Agencies.

MINA has agreed to assume this role and will be supported by the Governor's Council of Economic Advisers and the Marianas Visitors Authority in achieving the rapid progress of these projects envisioned through this proposal. MINA will retain the responsibilities for compliance with accountability and reporting to the CNMI Department of Finance and will undertake procurement of services and project management in compliance with the strict internal controls required of federal non-profit organizations.

Bringing in the non-profit sector into an effective partnership that realizes substantial and timely gains to the facilities our community and visitors utilize is a crucial step toward advancing community ownership of these sites and facilities. Through an agreement between the CNMI government and MINA, with the partnership with the Council, these funds dedicated to this effort can achieve the necessary accountability to the community and help support the overall priorities of the government and the Commonwealth.

The Council recommends and requests an allotment of \$5.5 million to be designated for the use of implementing this program with MINA as the primary recipient, in collaboration with the Marianas Visitors Authority, the CNMI Department of Finance, and the Governor's Council of Economic Advisers. Of these funds, \$5,035,000 would be used for the contracting and mobilization of funds toward the transformation of the listed sites, with the remainder being provided to support the administrative costs of MINA.

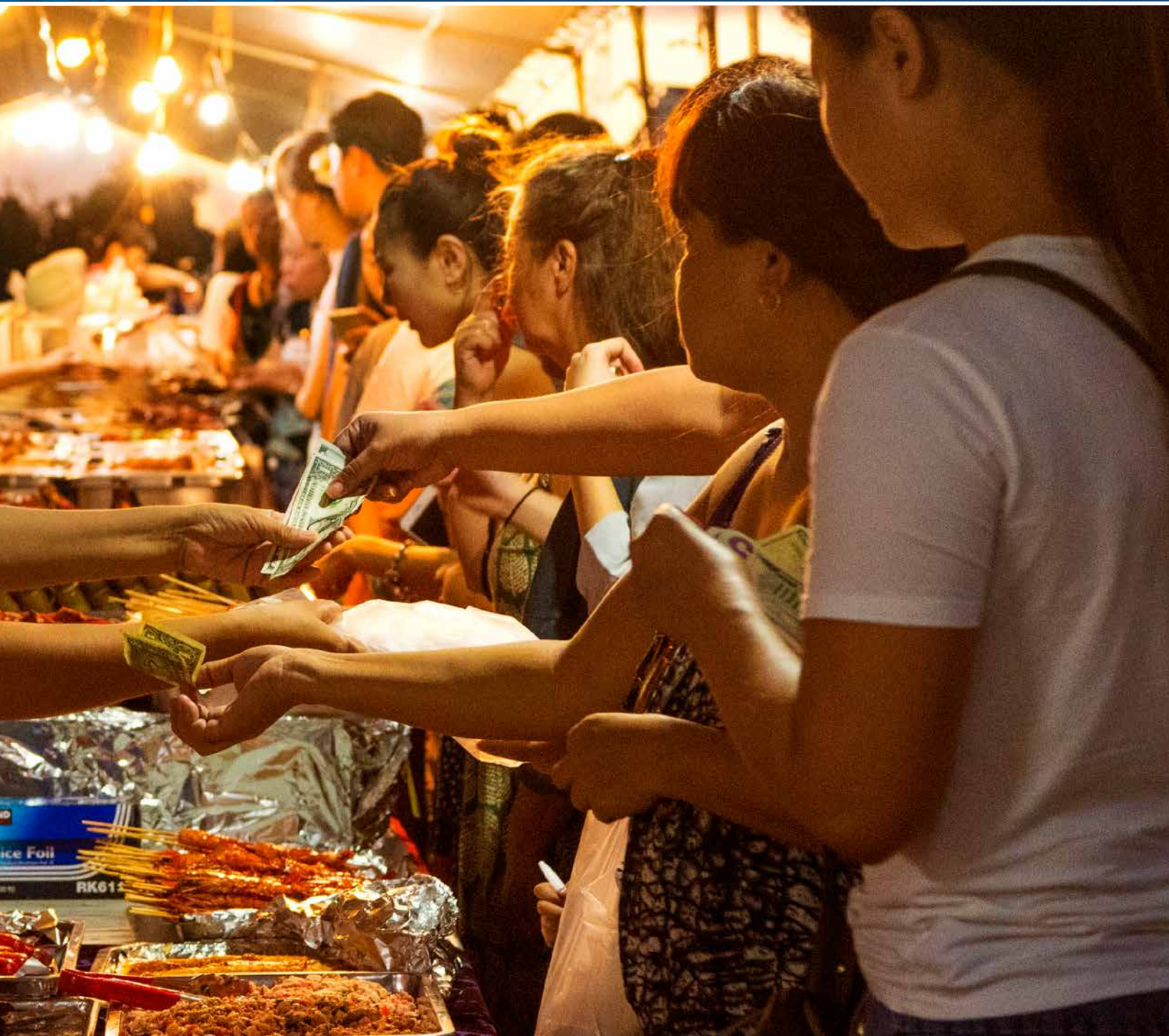




Source: Marianas Visitors Authority

Section III

The Pre-Pandemic Economy



Section III THE PRE-PANDEMIC ECONOMY

On April 6, 2021, the Marianas received the Gross Domestic Product estimates produced by the U.S. Bureau of Economic Analysis (BEA) detailing aggregate economic activity in 2019. While traditionally delayed in production, the timing for this release provides unique insight into the pre-pandemic economy as a baseline context for the economic impacts caused in both 2020 and 2021.

The BEA estimates that the Marianas economy in 2019 constricted for the second consecutive year, falling by 11.2% between 2018 and 2019 calculations. This followed a 19.3% decline the prior year. The total size of the Marianas economy tallied to \$1.182 billion in nominal value.⁴ To put the two-year decline into perspective, this second-year decline from the most recent peak showcases a more rapid decline in two years versus the two initial years of decline that occurred between 2005 and 2007. To provide a multi-year comparison, the following chart depicts the change in Real GDP between 2002 and 2019.

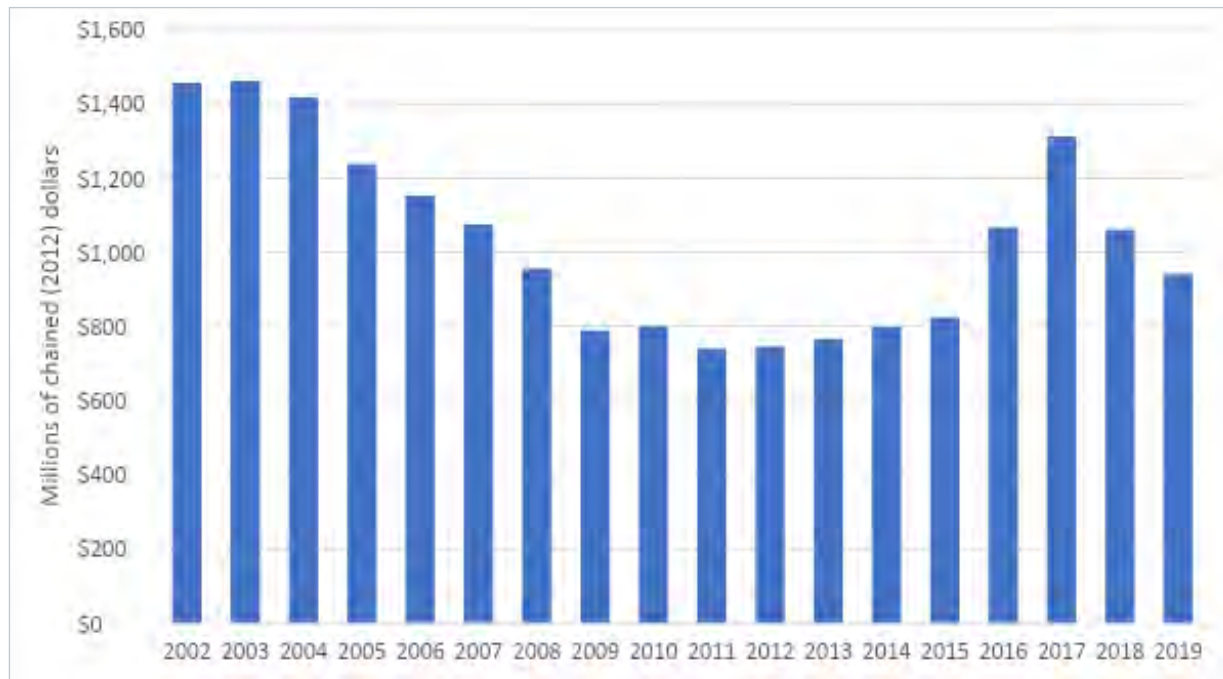


Figure 4: Real Gross Domestic Product (2002-2019). Source: U.S. Bureau of Economic Analysis. 2021.

In years 2018 and 2019, the Marianas witnessed a marked decline in the economy following five years of sustained economic growth. As 2019 data further highlights, the cause of both the rapid growth and subsequent contraction of the economy was a result of the pronounced impact of tourism.

In the period of economic growth, the Marianas saw rapid increases in its export of services. The export of services represents the impact of tourism-related expenditures and impacts as it captures the influx of money into the economy for the provision of local services (i.e. restaurants, accommodations, etc.) Between 2012 and 2017, the value of exported services rose by 159% reaching its highest value in real terms within the preceding 16 years. The subsequent two years as the economy contracted saw both a decline in the value of exported services and the relative share of service exports against the larger economy. In the two years following the peak value in 2017, the share of GDP represented by the export of services fell from 72% of total Real GDP to 42%.

⁴For the purposes of depictions of a timeseries of GDP estimates, there is an important distinction between nominal and real values. Nominal GDP represents the value of the economy for that specific year, while Real GDP accounts for the change in the value of the currency over given years, adjusting for inflation to limit any distortion caused from inflation.

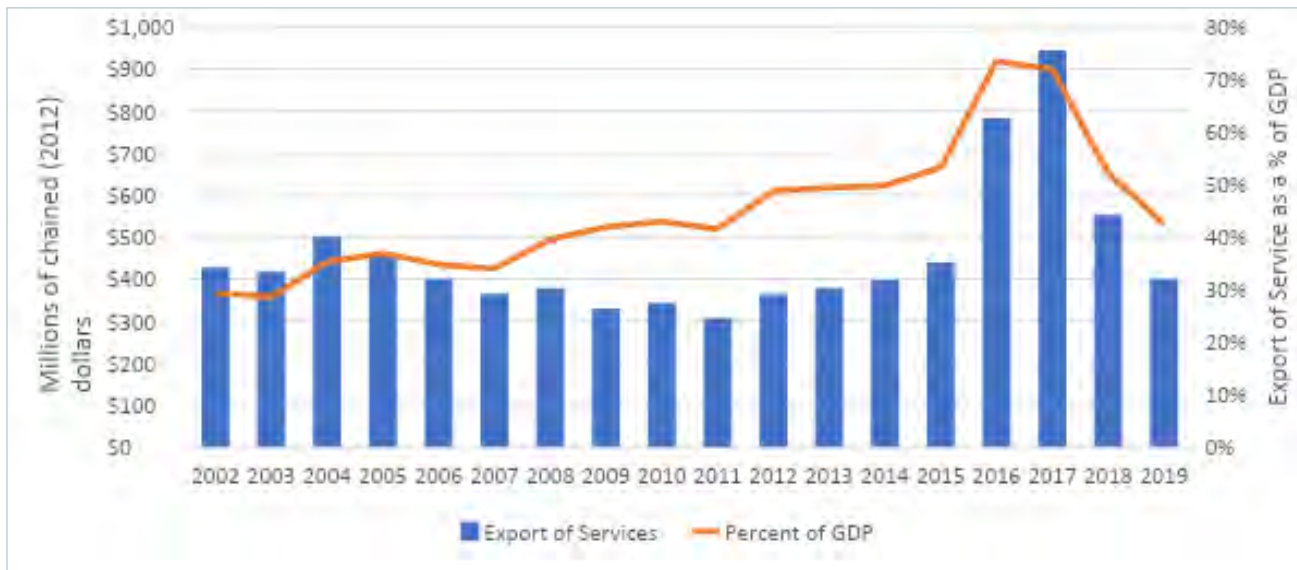


Figure 5: Export of Services as a Percent of Real GDP. Source: U.S. Bureau of Economic Analysis. 2021.

The decline of tourism's total value corresponds with the dramatic reduction in tourism arrivals in both 2018 and 2019 caused by Super Typhoon Yutu and its significant impacts on the Marianas' tourism infrastructure. Much of this impact has been covered in the Council's 2020 Year-End Report, but what is significant to mention is that, while the value of service exports decreased it remained within levels greater than those in 2012 after accounting for inflation. Despite this, the total share of GDP encompassed by the export of services fell below the 18-year average. The difference was the dramatic increase in the share of both personal consumption expenditures and government expenditures in the year. In 2019, the share of Real GDP for personal consumption expenditures rose to its highest level in 18-years at 72% of GDP, and similarly, government expenditures too exceeded the 18-year high with 48% of GDP.

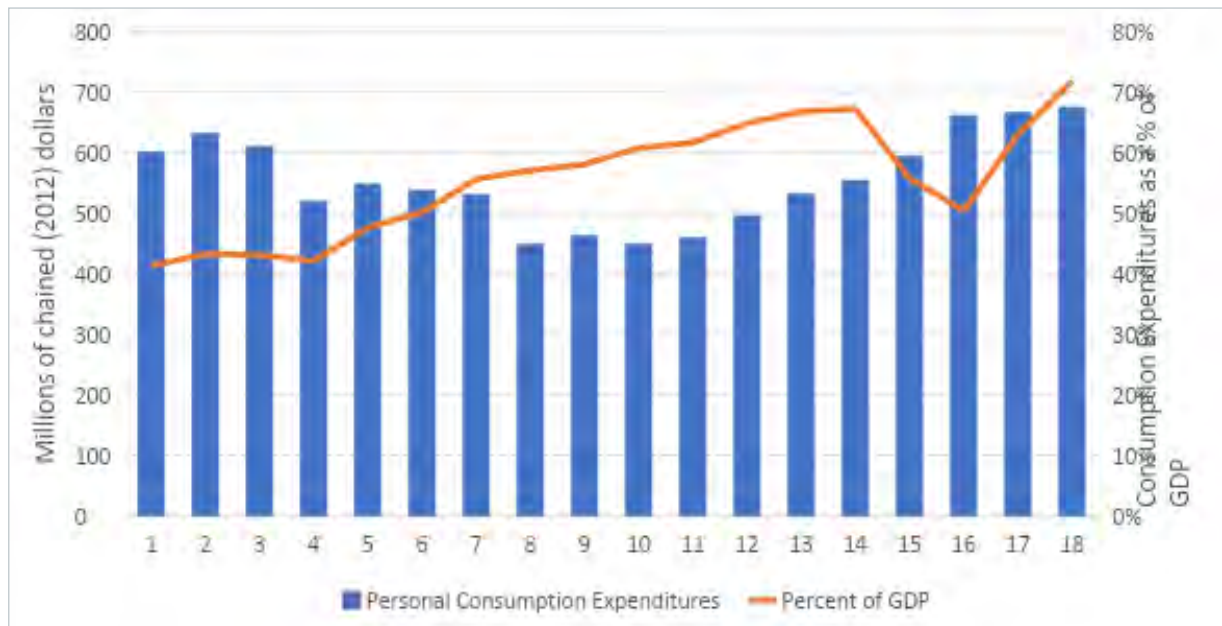


Figure 6: Consumption Expenditures as a % of Real GDP. Source: U.S. Bureau of Economic Analysis. 2021.



Source: Marianas Visitors Authority



Figure 7: Government Expenditures as a % of Real GDP. Source: U.S. Bureau of Economic Analysis. 2021.

While there are limits to the extent to which conclusions can be drawn from this data set with certainty, a reasonable assumption is that the impact of disaster-related relief efforts and federal assistance to support recovery in 2019 bolstered the expansion of these areas. The BEA supports these assumptions stating:

“Partly offsetting the declines in exports and private fixed investment was growth in government spending, both by the federal government and the territorial government. Federal government spending increased 42.3 percent, primarily due to recovery activities following Typhoon Yutu. Territorial government spending increased 4.1 percent, reflecting an increase in expenditures funded by federal disaster grants.”⁵

In the discussion of the impact of disaster relief efforts in the support of the economy, it is interesting to look at the last time the export of services was similar to those seen in 2019. In 2014, the value of exported services was \$2 million lower than in 2019 in real terms. Should both consumption expenditures and government expenditures be controlled to 2014, as there were no significant recovery efforts required in this year levels, and placed into 2019 activities, total Real GDP decline in 2019 could have fallen as low as 39%, reaching the lowest level in 18-years, or total inflation-adjusted value of \$643 million.

As the COVID-19 pandemic had even greater impacts on the export of services caused by the elimination of international flights, and an even larger influx of federal resources through the Community Development Block Grant – Disaster Recovery (GDBG-DR) program, Coronavirus Aid, Relief, and Economic Security (CARES) Act, American Rescue Plan Act (ARPA), and the Infrastructure Investment and Jobs Act among other, the anticipated impact of both territorial and federal spending and consumption expenditures has the potential to represent a significant component of the overall economy. This historic influx of federal resources may similarly have historic impacts on the structure of the Marianas economy.

⁵U.S. Bureau of Economic Analysis. Gross Domestic Product for the CNMI, 2019. p. 2



Source: Marianas Visitors Authority



Source: Marianas Visitors Authority

Section IV

The Marianas Economy in 2021



The Marianas economy remains severely impacted by the COVID-19 pandemic. These impacts were components of the Council's 2020 Year-End Report, and the lingering effects have continued through the near entirety of 2021. Since the termination of international flights from the Marianas' primary tourism source markets around March & April of 2020, the basis for economic activity in the Commonwealth collapsed.

As an example of the impact this closure has caused, the Council undertook an analysis of pre-pandemic and post-pandemic economic statistics. According to the CNMI Economic Census data before the COVID-19 pandemic, the Accommodation and Food Service industry and the Retail Trade industry together accounted for 22% of total revenue or sales, 28% of annual employee payroll, providing income to 34% of the total labor force. These two industries represent the top two contributors to total operating expenses in the Commonwealth with a combined total of 23% of the operating expenses of the economy.

Assessing these figures against data provided by the CNMI Department of Labor on claims for the Pandemic Unemployment Assistance program, we see a significant impact to Occupational Groups associated with these industries. According to the PUA data, the five highest claims for unemployment assistance were in the following occupations:

Occupation Group	Claimants per Occupation	% Of Total Claims
Office and Administrative Support ⁶	2,364	12.45%
Food Preparation and Serving Related	2,202	11.60%
Management	2,064	10.87%
Sales and Related	1,979	10.43%
Personal Care and Service	1,810	9.53%

Together, out of the 23 occupation groups categorized in the PUA data, these five occupational groups represent 54.9% of the total claims for unemployment assistance at the time the data was provided.

In 2021, the CNMI Department of Labor produced its Ratio of United States Workers to Other Workers in the Commonwealth of the Northern Mariana Islands for Tax Year 2020 required under U.S. Public Law 115-218. The report notes that in tax year 2020, of the W-2CM income tax filings were received by the CNMI Department of Finance, 12,894 were classified as U.S. Workers or those who are either U.S. Citizens/Nationals, Lawful Permanent Residents, or citizens of the Freely Associated States. This contrasts with the reported total of 7,982 non-U.S. Workers.

In the report provided to the U.S. Department of Labor, the Marianas certified that its labor force ratio of U.S. to Foreign workers reached the highest ratio of U.S. to foreign workers in the 19 years of analyzed data. For tax year 2020, there were 21 U.S. Workers for every 13 Foreign Workers, or 61% of the workforce with known classifications. Further refinements to this number are expected as the U.S. Government Accountability Office (GAO) conducts an annual review of the Marianas' progress within the immigration transition period and assesses the ratio against the previous year's calculations. In the most recent published GAO review, the trends depicted in the growth of the U.S. worker population in the Marianas' labor force show a consistent rise over the course of data captured between 2013 and 2018.

⁶Note that the O*Net Occupation system operates a separate means of categorizing occupations outside of industry groupings. It is worth remarking that the Office and Administrative Support Occupations category includes occupations such as "Hotel, Motel, and Resort Desk Clerks", "Reservation and Transportation Ticket Agents and Travel Clerks", among other non-accommodations related occupations. Full listing of this occupational category can be found here: <https://www.onetonline.org/find/family?f=43&g=Go>

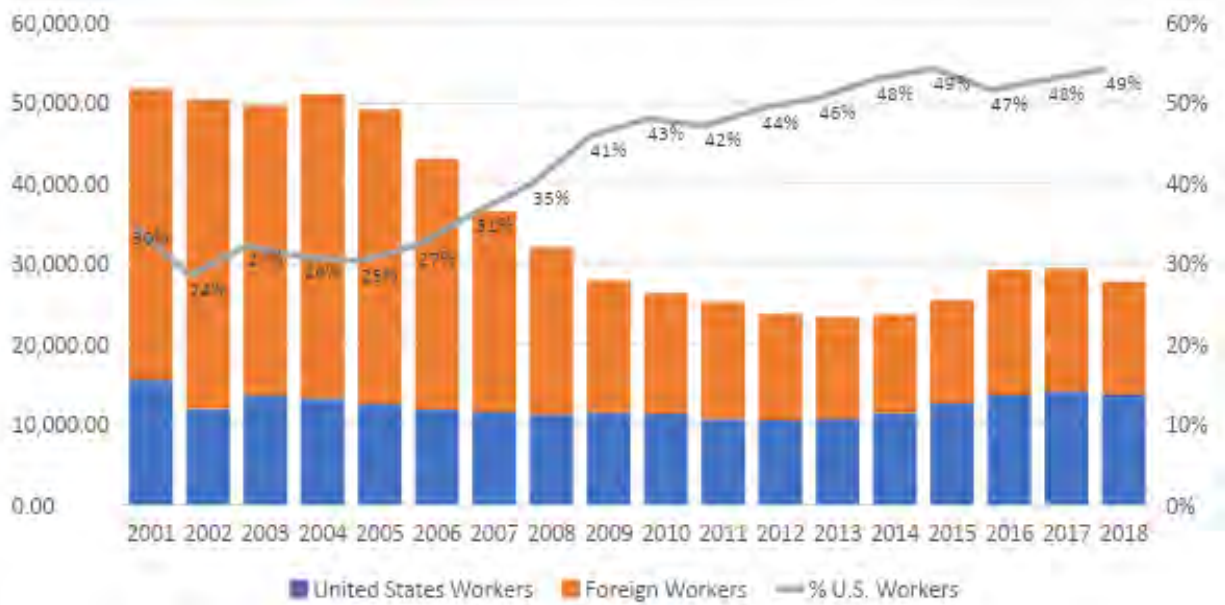


Figure 8: Employed Workers in the CNMI, Calendar Years 2001-2018. Source: GAO-20-305, Figure 4.

From the CNMI Department of Labor estimates, and data presented and validated by the GAO, it is apparent that even though the difficulties resulting from natural disasters and global pandemics, the structure of the Marianas' labor force is, for the first time in generations, being sustained by a larger U.S. workforce. Explanations for this rate of growth can be theorized to be as a result of the downturn in services exports, an industry heavily reliant on labor and, thus in a constrained labor market, foreign labor. This is further evidenced by the total size of the labor force shrinking in correlation with the decline in overall economic output. However, this historic step to the viability of the Marianas' workforce is worth championing as the requirements of U.S. Public Law 115-218 set the termination of the CNMI-only Transitional Worker Program for 2029 – now only seven years away.

From GAO data and recent estimates of workforce composition provided in 2021, it would appear that in the climate of economic contraction seen continue in 2021, the labor force can be predicted to continue the trend of supporting a greater ratio of U.S. workers, however, this is also likely to be accompanied by a reduction in the overall labor force size as businesses remain closed or are considering permanent closure.

There are no fully reliable datasets of the rate of business closures seen in the Marianas in 2021, but an estimate can be derived from the CNMI Prevailing Wage Survey. In the 2021 CNMI Prevailing Wage Survey, the CNMI Department of Commerce noted that the implementation of the survey was impacted by the pandemic. Specifically, the report noted:

"The 2021 PWS has the lowest number of employers and employees in the dataset used in producing the hourly wage statistics compared to all the prior years the study was conducted. The low numbers are due to a decline in total economic activities in the Commonwealth that has led to business closures, increased layoffs, and increased reduction in hours worked."

Section IV THE MARIANAS ECONOMY IN 2021

By comparison, there were 621 employers captured by the 2020 Prevailing Wage Survey categorized among 22 Major Occupation Titles. In 2021, the total number of employers fell to 528. The breakdown of the change in employers surveyed is present below:

Major Occupation Title	2020 Employer Count	2021 Employer Count	Percent Change
Management Occupations	364	305	-16%
Office and Administrative Support Occupations	270	226	-16%
Installation, Maintenance, and Repair Occupations	215	165	-23%
Business and Financial Operations Occupations	167	150	-10%
Sales and Related Occupations	165	146	-12%
Building and Grounds Cleaning and Maintenance Occupations	123	106	-14%
Transportation and Material Moving Occupations	116	108	-7%
Food Preparation and Serving Related Occupations	105	80	-24%
Production Occupations	89	80	-10%
Personal Care and Service Occupations	80	53	-34%
Construction and Extraction Occupations	58	53	-9%
Arts, Design, Entertainment, Sports, and Media Occupations	41	32	-22%
Protective Service Occupations	38	34	-11%
Architecture and Engineering Occupations	37	33	-11%
Computer and Mathematical Occupations	35	38	9%
Educational Instruction and Library Occupations	27	27	0%
Healthcare Support Occupations	19	15	-21%
Healthcare Practitioners and Technical Occupations	16	10	-38%
Farming, Fishing, and Forestry Occupations	15	10	-33%
Community and Social Service Occupations	13	9	-31%
Legal Occupations	12	14	17%
Life, Physical, and Social Science Occupations	8	8	0%

Between these two years, the rate of response changes and the location of the employers within a specific employment title mirrors the data on claimants for unemployment assistance, with the highest total volume of change including highly impacted areas of Management, Office and Administrative Support, Personal Care and Service, and Food Preparation and Serving Related Occupations.

These impacts arose as the Marianas worked toward the resumption of the tourism industry in 2021. With the establishment of the Tourism Resumption Investment Program and in accomplishing a historic linkage between the Marianas and South Korea to permit a travel bubble, tourism arrivals remained far below normal levels.

At the closure of Fiscal Year 2021, the total arrivals to the Marianas reached 5,365. Between October 2020 and June 2021, arrivals from the Marianas' three primary source markets (Japan, South Korea, and China) amounted to 60 total arrivals for that period. The TRIP showcased its soft launch with a Familiarization Tour in July 2021 and subsequently established the formal program between August and September, with October providing a full implementation. The Korea market for the end of the Fiscal Year saw a total arrival count of 985, and a Fiscal Year 2022 total of 2,023 for arrivals solely in the month of October.

	Japan	Korea	China
Oct-20	3	3	-
Nov-20	5	5	-
Dec-20	1	-	-
Jan-21	5	9	-
Feb-21	1	2	-
Mar-21	6	1	-
Apr-21	2	-	1
May-21	7	2	1
Jun-21	2	2	2
Jul-21	3	66	1
Aug-21	1	94	1
Sep-21	7	801	1
Oct-21	4	2,023	2

The single-month arrival from the Korean market under TRIP amounts to nearly 38% of total arrivals from all source markets in the entirety of Fiscal Year 2021. While far below the October 2019 arrival figure for Korea of 20,185, the level of impact TRIP has showcased in the present global context of international travel is laudable. Full resumption of tourism arrivals, and subsequently the amelioration of the broader economic consequences of tourism's decline, is not anticipated soon, however, the framework for resumption has proven valid and the potential for future progress is more achievable with the inertia caused by TRIP.

Ultimately, the successes of the Marianas economy seen in 2021 was accomplished through the efforts of the CNMI Government, its health care system, and the COVID-19 Task Force who, through rapid dissemination of vaccinations, adherence to science-driven protocols, and willingness to conscientiously balance the economic needs of the Commonwealth with public safety, have limited the spread of the virus to far below previously anticipated levels. The success of the Marianas' vaccination campaign and the present rate of vaccinations reaching 95% among the eligible population has established a safety net for residents, and businesses to gain confidence to engage in the economy as either producers or consumers. The Marianas was one of the first locations in the United States to actively pursue widespread vaccinations, and the success of this effort on the establishment of a tourism bubble with South Korea and the present rate of commercial activity will be profound markers for future success in the years ahead.





Section V

Challenges for the Economy

Section V CHALLENGES FOR THE ECONOMY

The work of the Council in 2021 and the recommendations provided during the course of the year highlight the many challenges that are likely to persist in 2022. Issues related to the resumption of tourism within a continuing global pandemic, availability, affordability, and reliability of air service within inter-island and international transit routes, the needs for rehabilitation, repair, and development of the Marianas' infrastructure networks all remain present challenges in need of attention as the year commences.

As the Marianas continues to address the challenges brought on by the pandemic, the perennial issues constraining the potential of the islands should not be overlooked. Many issues have plagued economic development for decades. In 1998, for example, the Northern Marianas College's Business Development Center produced a study on the economy of the Marianas and listed the weaknesses that are preventing greater levels of economic growth. This listing included, among other weaknesses:

- Limited resources
- Limited domestic risk capital
- Shifts in legislation related to business
- Limited incentives from local government
- Stringent import/export regulations
- Complex government regulations
- High cost of ocean shipping
- No airline hub (limited direct flights to major markets)

All of the challenges presented in this 1998 report remain of concern to the economy today, and in some cases, made more difficult as a result of external forces. Business development remains a challenge as permitting, and licensing requirements remain siloed in various departments and agencies and dislocated physically. Air service, both inter-island and internationally, remains expensive and unreliable – this is identical with ocean shipping.

One of the largest continuing issues facing the economy is the labor force shortages in critical industries. With the passage of U.S. Public Law 115-218, the Marianas is set on annual reductions of its CW-1 visa allocations till the termination of the program in 2029. These reductions are agnostic to the economic conditions or needs of the Marianas economy. In many ways, the economic collapse of 2020 harkens back to the start of the CW-1 program, wherein 2008-2011 the economy and its workforce demands were limited by diminished economic prospects of the islands. The limited demand for the CW-1 program resulted in dramatic reductions in available CW-1 permits, ultimately leading to the Marianas breaching the cap of available permits as the economy revived in 2016.

The structure of the Marianas' potential recovery is further hampered by the transition period established in U.S. Public Law 115-218, which continued the prohibition of CW-1 visas for construction-related occupations outside of those servicing work required in response to a presidentially declared disaster. The Marianas is awash in federal resources to support the recovery and development of its infrastructure. Some of these programs are unrelated to a natural disaster. In this environment, and without reasonable and affordable alternatives for sourcing skilled construction labor, implementation of these funds, and the potential benefits of these projects will be delayed or significantly reduced.



The Council continues to note that, in the Marianas economy, foreign labor is a requirement for securing economic development and the promotion of greater opportunities for U.S. Workers. This is demonstrated in the data, which shows that as the economy grows, greater numbers of U.S. Workers are employed and generating on average higher per hour wages. However, the progress made in the last three years in the extended transition period has been halted by the pandemic.

The transition period remains set to terminate in a little more than 7 years. Without further consultation in addressing future reductions to the numerical limits on the CW-1 visa program, the administrative hurdles experienced by employers today, the increasing costs of labor as a result of sampling requirements on the annual prevailing wage survey, or the constraints on the construction industry, reaching the goal of establishing a viable economy that can operate commercial activity with domestic labor in 7 years is unattainable.

Additionally worth noting is that 2021 provided the results of the 2020 decennial census which saw a 12.2% reduction in the population of the Marianas, with significant declines in the populations in Rota (-25.1%) and Tinian (-34.8%). The population reduction is significant because a large limiting factor to improving overall costs in the Marianas is scale. As populations reduce, fewer consumers require fewer goods. This leads to reduced volumes being shipped to and within the Marianas with each good requiring a higher cost per item to afford the transport. Economies of scale will not provide more efficient delivery of goods to and within the Marianas if population sizes continue to decline. If population levels further decline, the benefits of scale on prices for items such as groceries to air travel will not be realized.



Civic Center





Source: Marianas Visitors Authority



Source: Marianas Visitors Authority

Section VI

Outlook and Opportunities for 2022



Section VI **OUTLOOK AND OPPORTUNITIES FOR 2022**

As this report has shown, the Marianas economy and its people have suffered through the second consecutive year of unprecedented impacts on the fundamental structure of life on the islands. The economy's performance has been bolstered by federal assistance, with external monetary resources shifting from tourism-related expenditures to government procurement and federal aid to individuals. Typically, this shift, while not without considerable friction and impacts to areas of the economy, fills an identical role in injecting external funding in supporting a basic level of employment and consumer expenditures on necessary items. This has resulted in the Marianas entering 2022 with a collapse persisting in the critical tourism sector, but without a true collapse in the wider economy.

Whether or not this present equilibrium continues through the year remains a question and the viability of the present structure of the economy hinges on several factors. Unemployment assistance provided through the CNMI Department of Labor continues to taper toward termination, leaving potentially thousands of U.S. workers displaced from employment and without income. Employment levels and income can be supported through the wide array of construction and development programs funded through federal appropriations, but the timing of this deployment and the capabilities of the labor force to transition appropriately to maximize the employment potential are uncertain. And, of course, the still lingering and significant threat of current or new variants to the COVID-19 pandemic has not provided a clear path, nor sufficient market confidence to resume regular tourism operations from the major source markets of South Korea, Japan, and China.

In parts, the broad areas of consideration for the year ahead can be categorized within the subcommittee structure of the Council.

DOMESTIC POLICY

In the environment of significant economic uncertainty in the Marianas, business investment, development, growth, and retention are goals that require concerted effort to achieve. Businesses have closed, resulting in the employment impacts seen through the unemployment assistance programs. A key factor in supporting employment and success in supporting private sector needs is the underlying structure of government policy that would determine the ease, or ability of businesses to resume operations.

While many businesses have closed because of the pandemic, the gradual resumption of commercial activity presents worthwhile opportunities for actors in the private sector. The unanticipated collapse of the tourism industry disrupted the fundamental structure of the economy. Should arrivals and greater, non-government-driven, commercial activity resume, it can be anticipated that the prior demand for goods and services must be met locally. These would include restaurants, retail outlets, and associated service providers. As businesses have closed, this demand opens opportunities for either the resumption of operations or the establishment of new commercial investment to meet the market's needs. The degree and efficiency to which the economy rallies to meet these new demands rely on the efficiency of government permitting and licensing. Every additional month added to a business investment while working through the government permitting apparatus is one additional month where the economy is not providing the products and services demanded by consumers and another month without income for potential employees.

Work undertaken now to streamline the efficiency of the government's role in business development will lessen the time it will take for the economy to build toward normalcy and its full employment potential. The reduction in unemployment assistance should be tied directly toward governmental efficiency in business development and permitting. Already, work is underway to establish greater electronic means for processing and approving government permits for commercial activity. The e-government platforms being established by the CNMI Government should be considered a supreme priority in the year ahead, and its successful implementation will aid in improving employment opportunities for residents in the Marianas.





Source: Marianas Visitors Authority

For new investment and the transition of economic activity in the short-term toward construction and deployment of federal resources, consideration should be given to the capacity of local firms to manage this unprecedented influx of resources, projects, and plans. As mentioned in this report, labor will present significant constraints to the extent of the Marianas' ability to mobilize resources for the economy. As presented previously, the approach needed to ensure 2022 realizes progress on the development plans for these funds can be achieved in two parts.

1

ALTERNATIONS TO THE IMMIGRATION TRANSITION PERIOD

Continued advocacy for improvements and changes to the immigration transition period should be prioritized in 2022. This advocacy includes: (i) dialogue on the impacts of the pandemic on embassy and consular processing of CW-1 permits for new non-immigrant workers to the Commonwealth; (ii) continued refinement on the availability of construction workers to support the recovery of the economy under the CW-1 program; (iii) recognition of the impact of the pandemic on the workforce development opportunities and objectives within the transition timeline, to include an extension of the transition period beyond 2029; and (iv) reconsideration of numerical limits to support recovery, reemployment, and economic growth within a revised schedule.

2

VOCATIONAL TRAINING

As workers have been displaced from their prior occupations, opportunities exist for retraining and skill-building in alternative careers for many residents and U.S. workers in the Marianas. Consideration should be placed in the utilization of federal training resources (such as the Commonwealth Worker Fee) to target displaced workers and support their training toward new or improved vocational skills. If targeted to the areas of present and foreseeable demand, greater emphasis and resources should be provided toward advancing the skills and training necessary to support the construction industry.

As a component of these efforts, and in better coordinating resources for the surge of construction activities becoming available in the Marianas, coordination should be undertaken to establish a Marianas Contractor Association whose goals should include the advancement of training curriculum within the Northern Marianas Technical Institute, and the setting of baseline standards for contractors in the industry to abide by in pursuit of greater efficiencies in the deployment of resources and completion of projects.

TOURISM RESUMPTION AND INFRASTRUCTURE

The most challenging task facing the Marianas' economy is securing a substantial recovery of the tourism industry. The obstacles to achieving normalcy in the tourism market are profound and ever-shifting. While the Marianas was experiencing a surge of demand for its travel bubble with South Korea, the outbreak of the Omicron Variant to the virus added further complications to securing higher levels of Korean arrivals. Still, the opportunity for further growth of the travel bubble and the resumption of the Korean market is present. At the time of this writing, the Korea Disease Control and Prevention Agency maintained its quarantine exemption for the Marianas for passengers traveling under the travel bubble agreement with the CNMI government and the Marianas is maintaining the availability and marketing of the TRIP structure for Korean visitors. These two components within the travel bubble agreement are critical for securing more air service options and higher arrivals in the month ahead, barring no significant developments of the virus that would result in either party seeking revisions to the agreement.

In this environment, it is difficult to project the potential of the tourism sector in the year, being that without consistent effort, any revitalization of the industry following the pandemic will be delayed and limited. The present travel bubble should be carefully assessed, improved upon, and, when appropriate, expanded to encompass Japan and other destinations open to resuming international travel. The vast majority of the economic and employment impacts in the Marianas stemmed from the loss of arrivals. For substantial impacts to the recovery of employment outcomes of residents, and the generation of government revenue, the necessary component is the eventual resumption of tourism arrivals. Other than tourism, no other industry – present or potential – has the scale or infrastructure to make the necessary impact on overall economic revitalization.

In the year, there is considerable opportunity for, not only the resumption of arrivals from Japan, but to make significant progress toward the goal of a diversified and resilient tourism market composition. The Council supports the goals of the Torres Administration to secure a tourism market that follows the 30-30-30 principle – 30% Korea, 30% China, and 30% Japan. Much work has been placed into safeguarding the Korean market, which was registering historic arrival figures before the pandemic. China will experience considerable delays, with the Chinese government signaling its intent to restore international travel by 2023. Japan has the potential to fill the gap through a concerted expansion of TRIP to provide travel opportunities to Japanese visitors during the pandemic.



Gov. Ralph DLG. Torres with Tasi Tours & Transportation, Inc. President Hiroaki Kamimori

REENGAGING THE JAPAN MARKET

The Japanese market has many benefits to the Marianas. There are long-standing historical and cultural ties between the Marianas and Japan, existing Japanese investments in the Marianas tourism product, Japanese tourists are highly likely to be repeat visitors, and there have already been several years of consistent marketing presence for the Marianas in Japan. Establishing one of the first tourism bubbles with Japan, coupled with the transformation of the Marianas tourism product, can open the pathway for a new generation of Japanese tourists to visit the islands once more. Key obstacles to this resurgence in the Japanese market are the health and safety protocols to entice visitors seeking a safe vacation, and air service.

The Council seeks to continue to work with the CNMI government in exploring air service options that will provide the resumption of direct scheduled service between Japan and Saipan. With air service reestablished, the focus should continue to be the attraction of Japanese tourists to establish a lasting foothold in the Marianas' industry.

Despite these challenges facing the industry, the Marianas and the Council are poised to continue their progress toward the transformation of the Marianas tourism product in preparation for the next generation of visitors to the islands. Through the work of the many Public Private Partners in the rehabilitation and transformation of public sites throughout the Marianas, 2022 will see dramatic improvements to the sites and attractions that draw visitors from around the

world. This initiative that continues this year, is coupled with the ongoing outreach on the Council's Adopt-A-Median campaign, the Marianas Village Pride Campaign, and the advancement of partnerships that will see more funding and resources employed in priority areas throughout the Marianas.

The Council sees tremendous opportunity in these projects and will continue to work with the CNMI government to aid in prioritizing projects and sites critical for the true transformation of the Marianas' tourism product in the year ahead.

QUALITY AND SAFE ROAD INFRASTRUCTURE SUPPORTS A HEALTHY POPULATION AND ECONOMY

The CNMI can utilize infrastructure resources to redevelop and reconceptualize of the islands' road infrastructure, such as utilizing the funds available toward the rehabilitation of critical access roads to support the urgent need for transportation. It can also provide the opportunity to broaden the use of these significant tracts of public land for the benefit of the community. The development of complete streets, bike lanes, and walking paths will increase safety for pedestrians and motorists in the Marianas.

COMPLETE STREETS

The Complete Streets initiative is an ambitious yet necessary component of the transformation of the CNMI's economy and landscape. Complete Streets and the associated infrastructure improvements to support it, builds the physical environment around the needs of the community, and not just traffic pathways. Complete Street programs around the United States have been trumpeted for their ability to build safer, more attractive communities, that allow for greater transportation choices. These innovations in infrastructure design have revitalized communities, spurring increased investment, and employment.

BIKE LANES

The establishment of designated bike lanes and walking paths can promote healthier lifestyles for the population for generations. Bike lanes have tremendous potential for the long-term development opportunities for the CNMI. Along with promoting healthy lifestyles for residents, and the enhancement of bike safety along the roadways, it provides the additional benefit of granting the visual enhancement of the island's thoroughfares, highlighting the natural beauty of the islands, and increasing the CNMI brand as an outdoor, low density population, destination. This product that can be developed increases commercial opportunities in bike rentals and tours, also differentiates regional tourism products, like those available in Guam, who do not offer similar amenities to their visitors and residents.



The CNMI and the Republic of Korea formally established a travel bubble that took effect on July 1, 2021. This CNMI becomes the first place in the world to establish a travel agreement with South Korea.



ECONOMIC DIVERSIFICATION

The circumstances of the Marianas' economy following 2021 further highlights the urgent need for diversification in the sources of economic activity occurring in the Marianas. Great strides have been made toward the establishment of the government's framework for managing development priorities toward diversification in the creation of the Commonwealth Economic Development Authority, however, true and lasting diversification will require greater levels of planning, research, outreach, and resources.

Economic diversification planning relies on a comprehensive assessment of the Marianas' capabilities and resources for the range of potential industries that can aid in fostering resilience. Given the availability of funding provided through federal agencies in response to the pandemic, opportunities exist to leverage CEDA's mandate and incorporate the authority into the planning and selection of projects critical to the development goals of the Marianas. These could include the development of business centers, enhancements to critical public infrastructure, means for stabilizing utility services, or leveraging tax incentive programs with federal resources to revitalize abandoned or unused property for alternative development projects.

With the hopeful passage of amendments to the Investment Incentive Act of 2000, CEDA will be equipped with the capability to take an active role in pursuing diversification efforts driven by the needs and interests of the Marianas community. Through the Strategic Investment Initiative proposed in the amendments and supported by the Council, CEDA will be tasked with the critical role of determining the economic development projects most critical to the advancement of the economy, the packaging of these projects, overcoming the local permitting requirements for potential investors, and marketing the opportunity to investors along with local incentive packages. This active role in determining the future of the economy is crucial to remaining competitive in the world and to expand the opportunities available for businesses and residents in a marketplace more resilient to external factors.



Source: Marianas Visitors Authority

Diversification does not need to come at odds with the existing tourism industry. As such, measuring diversification by the sole metric of relative proportion to tourism's impacts would speak more to the strength (or weakness) of the tourism industry than to the success of diversification efforts.⁷ CEDA should remain at the forefront of tracking investment in the Marianas this year and determining the processes by which the community gauges its diversification.

The global economy is shifting in its response to the pandemic, and as it shifts, new opportunities to capture market share in any number of industries will make themselves apparent. The Marianas has significant advantages in its position that can be capitalized upon, such as exemptions from federal laws like the Jones Act, exemptions to numerical limits on H visas, and preferential geographic location to the major Asian markets while remaining within the legal jurisdiction of the United States. With a proactive eye toward the potential for alternative industries in the post-pandemic world, and equipped with the necessary tools to ensure competitiveness, 2022 could be a defining year for the next era of the Marianas economy.

GROSS DOMESTIC PRODUCT

While Gross Domestic Product estimates are woefully delayed for the Marianas, the Council has researched the economic activity of the last two years and posits a possible means of estimating the total economic output of the Marianas.

For 2020, the Council sees a dramatic decline in the exports of services to the Marianas as tourism saw the ceasing of international flights in the first quarter of the year. This halting of international flights was preceded by unseasonal declines in arrivals during the peak months of January and February. Tourism spending declining and the rate of job losses in the food and serving related industries portends impacts to the importation of goods and initial impacts to consumer expenditures as job losses mounted and the government-initiated austerity measures. This reduction in imports aids in offsetting the decline in services exports albeit indicative of demand constraints on personal consumption expenditures. With international travel limited, foreign direct investment in the Marianas has declined considerably, impacting private fixed investments.

These impacts are offset, once more, by the injection of federal resources during the third and fourth quarters through direct assistance, such as the CARES Act funding, which allowed for the alleviation of government austerity measures and the institution of the Pandemic Unemployment Assistance Program and the Federal Pandemic Unemployment Compensation Program. These measures would have aided domestic consumption and bolstered the government expenditures during this time.

In 2021, exports of services continued to remain stagnant from 2020 levels for the first two quarters of the year, with a slight expansion in arrivals beginning with the institution of TRIP. Larger levels of federal relief aid came with the passage of the American Rescue Plan Act and its distribution provided the local government with greater resources to offset losses to revenue improved the acquisition and payment for services by the private sector. This year will have also seen some gains to the output of the construction industry as funds from the range of federal programs saw deployment in the year. Further, personal consumption expenditures would have seen an increase from stimulus payments to taxpayers, increases to the additional child tax credit, and reductions in utility bills seen in the year.

Taking these factors into account, the Council sees the possibility that the Gross Domestic Product for 2020 witnessed its third consecutive annual decline falling as much as 25% in Real GDP from 2019. The Council further sees 2020 as the new trough on the cycle and anticipates the 2021 Real GDP to increase from this level in a range of 4% to 8%.

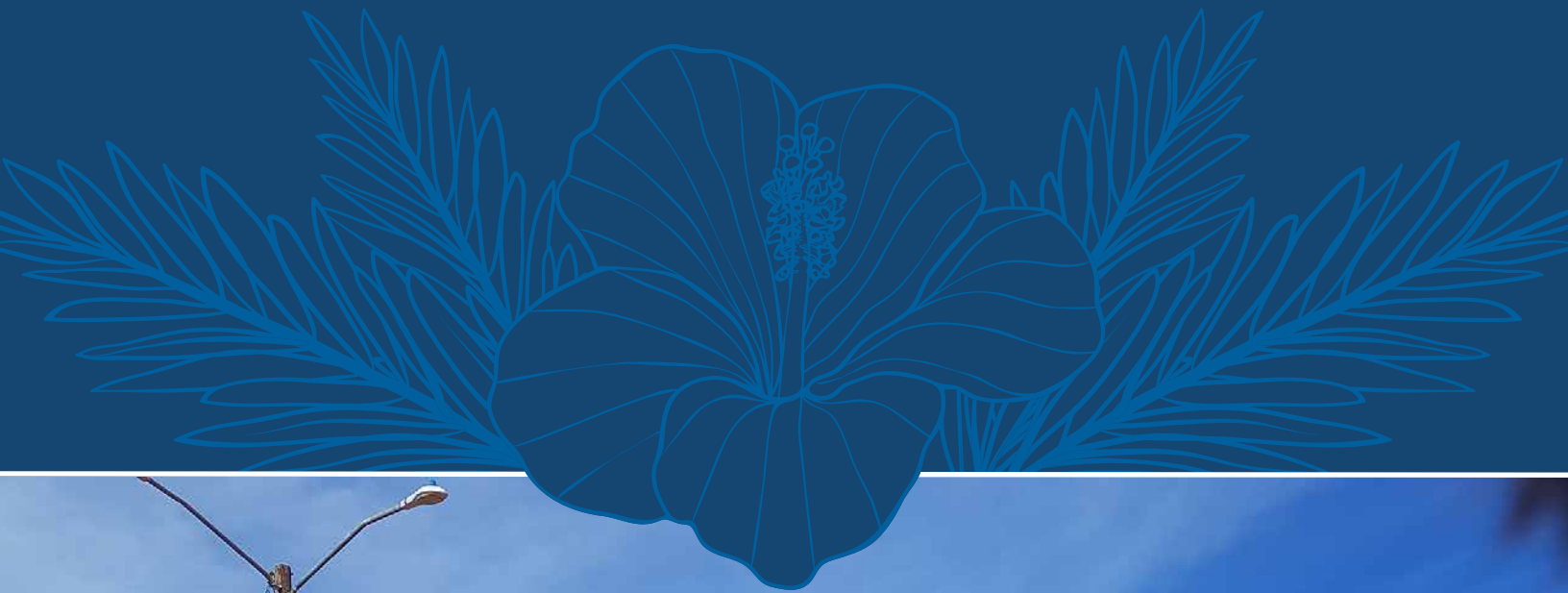
Together We Can!





GCEA thanks its PPP Partners, stakeholders, and the community for their valuable support in 2021. We look forward to working together in 2022 to further improve the quality of life for all who call the Marianas home.

Together We Can!



Community partners unite to transform Tinian sports facility in time for the summer season