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Chairman and Founder of the International Midway Memorial Foundation

November 20, 2014

Oversight Hearing on the Management of the Midway Atoll National Wildlife Refuge

Testimony for House Hearing: November 20, 2014

The International Midway Memorial Foundation (IMMF) is a non-profit, tax-exempt corporation, established in the state of Maryland in 1992, and is dedicated to the memory of the Battle of Midway.

Historical Perspective

The Battle of Midway, which took place from June 3-7, 1942, was a battle of historic proportions and the turning point of World War II in the Pacific. After the Battle of Midway, Japan was never able to go on the offensive again. Admiral Isoroku Yamamoto's decision to include the islands of Midway in his strategic plan against the United States was flawed and thus paved the way to a U.S. victory. Historians now believe that the victory at Midway had significant effects on the outcome of World War II in Europe:

- it allowed the United States to take its first offensive---that of invading North Africa---which ultimately resulted in the destruction of the German African Corps;
- Japan's defeat meant that Russia was able to transfer its troops from Manchuria to the east to bolster the defense of Stalingrad against German forces; and
- it guaranteed the timetable for the Allied invasion of Normandy.

For these reasons alone, Midway should have a functioning National Memorial and public visitation. But beyond its significance in the course of historical events, the Battle of Midway represents the courage, determination and sacrifice of the men who fought to retain Midway, and deserves to be memorialized throughout time by preserving Midway's history and by mandating a permanent policy of public visitation to the Atoll.

Jurisdiction (US Navy and the USFWS)

In 1996, jurisdiction over the Midway Atoll was transferred by the U.S. Navy to the U.S. Fish and Wildlife Service (USFWS). The IMMF encouraged Congress to designate the Midway Atoll as a National Memorial and its efforts were rewarded in November 2000 when President Clinton signed legislation that designated the Midway Atoll as a National Memorial. In that legislation the Secretary of Interior was directed to regularly consult with the IMMF on the management of the National Memorial. To date, neither the USFWS nor the Department of Interior has regularly consulted with the IMMF on the management of the National Memorial.

USFWS and Midway Phoenix Corporation

In 1997, Midway Phoenix Corporation (MPC) and the USFWS entered into a cooperative agreement for MPC to provide all logistic and administrative services on the Atoll at no expense to taxpayers. Only USFWS' room, board and mission activities were paid by the taxpayer.

From 1997-2002, MPC faithfully carried out this agreement in spite of draconian restrictions placed on its activities by USFWS. Examples of such measures were the closing of Eastern Island to the public (the site where the original airstrip is located), transferring endangered Hawaiian Monk seals to the shores of Midway Atoll which resulted in the closing of all heretofore public beaches, limiting cruise ships' access to Midway Atoll and limiting the sale of aviation fuel by MPC. The primary reason why MPC departed from Midway in 2002 was over the issue of aviation fuel. In 1996, when the U.S. Navy transitioned from Midway, it gave the remaining fuel in the tanks to the USFWS. In 1997, the remaining fuel was gifted to MPC because USFWS was not permitted to make a profit from the Wildlife Refuge. MPC then sold the fuel to transient aircraft at approximately \$5.00 a gallon. By 2002, MPC had invested 15 million dollars of its own money toward improving the infrastructure of the Atoll. With one month's supply of fuel remaining, USFWS demanded that MPC pay two million dollars for the aviation fuel that had been gifted to MPC in 1997. This non-negotiable and inexplicable action by the USFWS prompted MPC to leave Midway.

USFWS Financial Management of Midway Atoll

As previously stated, during the tenure of MPC's administration of Midway Atoll, all logistic and administrative operations were carried out on Midway at no expense to taxpayers. In 2003, after the departure of MPC, Chugach, a private sector company based in Alaska, took over the responsibility of maintaining Midway's infrastructure. The cost of operating Midway rose exponentially, all of which was borne by the taxpayers.

The IMMF obtained information about the financial expenditures by USFWS from two sources, the Interior Department Electronic Acquisition System (see attachment 1), and the Division of Congressional and Legislative Affairs (DCLA) (see attachment 2). The following data was acquired from IDEAS. In 2003, USFWS paid Chugach \$24,439,634. In 2004, this amount increased to \$86,376,374. In 2005, USFWS paid \$75,995,693 to Chugach. According to IDEAS, the total paid to Chugach by USFWS for the three-year period was \$186,811,701.

According to the report from DCLA, USFWS' Midway operating expenses from 2005-2013 varied from \$4,007,884 to \$4,781,505. For 2005, however, there is a striking discrepancy between the two sources of the expenditures by USFWS at Midway. As noted above, the IDEAS report indicates the expenses to Chugach were \$75,995,693, but the report from the DCLA states USFWS Midway costs were \$4,553,693. The difference of the two reported values requires further investigation (there was no data from DCLA for the 2003-2004 period). In conclusion, the minimal cost to taxpayers of MPC's administration of all operations on Midway rose to millions of dollars under USFWS/Chugach.

Decline and Cessation of Midway's Public Visitation Policy (2002 to 2014)

In the aftermath of MPC's departure, public visitation to Midway between the years 2002-2013 was allowed on a part-time basis in only four years out of the twelve-year period. In 2013, public visitation ceased.

On January 8, 2003, the IMMF submitted its feasibility study (see attachment 3) on a public visitation program. The study concluded that a public visitation program was most viable if a private contractor was utilized to maintain the entire infrastructure on Midway as well as to administer the public visitation program. The study was ignored by Interior and the USFWS.

In 2005, USFWS spent \$200,000 for a study to determinate the feasibility of reinitiating a public visitors program on Midway. This study also concluded that public visitation was most feasible if it were conducted by a private contractor, who would also be responsible all administrative and operational aspects of the Midway Atoll, including public visitation.

The conclusion of USFWS' feasibility study was similar to that of IMMF's 2003 study, but neither proposal was acted upon by the Department of Interior and USFWS. Apparent disregard for the conclusions of these studies indicates a lack of interest and/or desire by USFWS for any public visitation on Midway. In addition, USFWS plans to destroy the two large fuel tanks on Midway in 2016, a logically irreversible change (see attachment). This would result in the destruction of what was historically the primary source of non-taxpayer income to the Atoll, and would--in reality--make any future public visitation to Midway impossible. Currently, USFWS is leasing smaller, above-ground portable fuel tanks. They do not have the capacity of the original tanks, and could be removed at any time. The existence of these tanks and their potential for easy removal strikes another blow to a potential visitation program.

In summary, the key to a successful public visitation program is to utilize a private sector contractor; this concept was supported by the IMMF's and the USFWS' feasibility studies, and MPC was able to demonstrate that this could be done successfully with no expense to taxpayers. USFWS has virtually ensured public visitation will never return to Midway by (1) eliminating the sale of aviation fuel to commercial and military aircraft; (2) by planning the destruction of the two large fuel tanks in 2016 which would severely limit the potential for profit-making fuel sales (the current fuel supply is solely for the use of USFWS' needs); (3) by allowing the deterioration of buildings; and (4) by carrying out--as well as planning for--the demolition of buildings and structures which would support public visitation. The measures USFWS have taken in the administration and operation of Midway since 2002 have only served the interests of the USFWS, with little regard for public visitation or for Midway's historic value.

Midway's Airstrip on Sand Island

The airstrip on Sand Island is no longer used as a full time alternate emergency landing site for

trans-Pacific flight nor is aviation available for aircraft. As recent as July 2014, an United Airlines trans-Pacific passenger plane was forced to make an emergency landing on Midway due to electrical difficulties.

USFWS Mismanagement of Midway's Infrastructure

The following has occurred under USFWS' watch:

- USFWS has allowed the restaurant, constructed and operated by MPC at a cost of 1 million dollars, to close and deteriorate;
- Despite the fact that some of the remaining lead-painted buildings are being maintained, others are being allowed to deteriorate, resulting in environmental contamination with lead paint chips, exposing the birds on the atoll to potential lead toxicity.
- In February 2003, between 75,000 to 100,000 gallons of fuel leaked from the fuel farm which was being manned by only one part-time employee, rather than the five full-time employees employed by MPC. It was estimated by the MPC Fuel Farm manager that at least five valves had to have been pressurized in order for the leak to occur. The leakage was the largest in recent Hawaiian archipelago history. According to the Honolulu Advertiser, it was estimated to have cost millions of dollars for USFWS to clean up the fuel leak.
- The USFWS demolished the Marine Barracks and four of the five historic telephone cable buildings without any notification of such plans to the IMMF as directed by Public law 106-113: Section 126. The USFWS is also planning the total destruction of all the buildings and structures on Midway (see attachment 4).
- The Atoll remains closed to public visitation for the foreseeable future.

Current Reports

The preceding statements document USFWS' inability to manage all the functions of the Midway Atoll both administratively and operationally. This is clear from the 18-year history of its tenure on Midway. Currently, there are the following reports:

- that the private contractor Chugach has offered to leave before the April 15, 2016 expiration date;
- that aviation fuel is running low in the two large fuel tanks and will be empty in 2016, with no plan by USFWS to obtain additional fuel;
- only emergency aircraft will be permitted to land on Midway;
- Bonin Petrels (birds) have overtaken the Atoll, creating deep underground burrows, which lead to the death of young Laysan Albatross when they fall into the tunnels and injure the adult Albatross when they land.

Solutions to Midway's Problems

It is my opinion that there needs to be a change in the jurisdiction of Midway Atoll in order for it to become viable again, and for public visitation to occur on a consistent, fiscally sound basis. In addition, it is important that the airstrip on Sand Island operate once again as a full-time alternate trans-Pacific emergency landing site. On March 20, 2013, Senator Brian Schatz proposed one solution in Senate Bill S.616 which directs the Department of Interior to study the feasibility of having the National Park Service, as well as private and non-profit organizations, assume responsibility for preserving, protecting and interpreting the natural and historic resources at Midway.

On January 8, 2003, the IMMF offered to the Department of Interior its solution to Midway's difficulties (see attachment). It emphasizes that Midway Atoll can best be operated by the private sector, which in turn would administer the public visitation program. This scenario is feasible only if

- USFWS does not impede conditions in which a private contractor could make a profit, from, for example, the sale of aviation fuel to aircraft
- Midway's continued availability as an alternate emergency trans-Pacific landing site exists
- Midway's aviation fuel is offered to the U.S. Coast Guard as needed for its search and rescue missions.

In addition to revenues from aviation fuel, revenues need to be supplemented by public visitation. Using these basic principles, prior to its departure from Midway in 2002, MPC made a profit of \$26,138 with no cost to the taxpayer, despite restrictions placed upon it by the USFWS.

Regarding the governance of Midway Atoll, the foundation recommends a permanent Advisory Board of Governors be created that would include U.S. Fish and Wildlife Service, National Park Service, U.S. Coast Guard, U.S. Navy, FAA, the International Midway Memorial Foundation and a private contractor operating Midway. The President of the Board of Advisors would be rotated annually from each of its members, except the private contractor, and an annual budget and audit would be performed each year and reported back to the Secretary of Interior. This would allow for a viable management solution that meets the needs, and addresses the concerns, of those who have an interest in the future of the Atoll and all for which it stands.

ATTACHMENTS:

1. Report from the Interior Department Electronic Acquisition System detailing USFWS' expenses for the years 2003-2005
2. Report from the Division of Congressional and Legislation Affairs detailing USFWS' expenses for the years 2005-2014
3. USFWS' Plan (Removal Action Work Plan) to demolish the two fuel tanks (Above Ground Storage Tank (AST) on Midway in 2016
4. IMMF's feasibility study submitted to the Department of Interior in 2003



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Award Number	Solicitation Number	Vendor Name	Agency	Document Title	Award Amount	Award Date
101813C009		MCKINLEY CHUGACH INC	Fish & Wildlife Service, Portland, OR	Midway - Performance Based	\$3,285,428.65	05/13/2003
101813C009/0001		CHUGACH MANAGEMENT SERVICES, INC.	Fish & Wildlife Service, Portland, OR	Midway - Performance Based	\$3,285,428.65	06/10/2003
101813C009/0002		CHUGACH MANAGEMENT SERVICES, INC.	Fish & Wildlife Service, Portland, OR	Midway - Performance Based	\$3,285,428.65	07/31/2003
101813C009/0003		CHUGACH MANAGEMENT SERVICES, INC.	Fish & Wildlife Service, Portland, OR	Midway - Performance Based	\$3,285,428.65	08/02/2003
101813C009/0004		CHUGACH MANAGEMENT SERVICES, INC.	Fish & Wildlife Service, Portland, OR	Midway - Performance Based	\$3,765,974.06	09/18/2003
101813C009/0005		CHUGACH MANAGEMENT SERVICES, INC.	Fish & Wildlife Service, Portland, OR	Midway - Performance Based	\$3,765,974.06	09/23/2003
101813C009/0006		CHUGACH MANAGEMENT SERVICES, INC.	Fish & Wildlife Service, Portland, OR	Midway - Performance Based	\$3,765,974.06	10/01/2003
101813C009/0019		CHUGACH MANAGEMENT SERVICES, INC.	Fish & Wildlife Service, Portland, OR	Midway - Performance Based	\$16,976,621.94	08/04/2004
101813C009/0021		CHUGACH MANAGEMENT SERVICES, INC.	Fish & Wildlife Service, Portland, OR	Midway - Performance Based	\$17,450,692.70	10/07/2004

<u>101813C009/0022</u>	CHUGACH MANAGEMENT SERVICES, INC.	Fish & Wildlife Service, Portland, OR	Midway - Performance Based	\$17,450,692.70	11/03/2004
<u>101813C009/0023</u>	CHUGACH MANAGEMENT SERVICES, INC.	Fish & Wildlife Service, Portland, OR	Midway - Performance Based	\$17,450,692.70	11/22/2004
<u>101813C009/0024</u>	CHUGACH MANAGEMENT SERVICES, INC.	Fish & Wildlife Service, Portland, OR	Midway - Performance Based	\$8,345,271.58	12/06/2004
<u>101813C009/0025</u>	CHUGACH MANAGEMENT SERVICES, INC.	Fish & Wildlife Service, Portland, OR	Midway - Performance Based	\$8,702,406.15	12/21/2004
<u>101813C009/0026</u>	CHUGACH MANAGEMENT SERVICES, INC.	Fish & Wildlife Service, Portland, OR	Midway - Performance Based	\$9,183,761.44	01/21/2005
<u>101813C009/0027</u>	CHUGACH MCKINLEY, INC	Fish & Wildlife Service, Portland, OR	Midway - Performance Based	\$11,134,119.78	01/21/2005
<u>101813C009/0028</u>	CHUGACH MCKINLEY, INC	Fish & Wildlife Service, Portland, OR	Midway - Performance Based	\$11,608,221.61	03/08/2005
<u>101813C009/0029</u>	CHUGACH MCKINLEY, INC	Fish & Wildlife Service, Portland, OR	Midway - Performance Based	\$13,308,883.70	04/01/2005
<u>101813C009/0030</u>	CHUGACH MCKINLEY, INC	Fish & Wildlife Service, Portland, OR	Midway - Performance Based	\$13,308,883.70	04/20/2005
<u>101813C009/0031</u>	CHUGACH MCKINLEY, INC	Fish & Wildlife Service, Portland, OR	Midway - Performance Based	\$17,451,826.60	09/07/2005

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**U.S. Fish and Wildlife Service
Midway Atoll National Wildlife Refuge**

FY2014 Base Funding (1261/1262)

Date: September 21, 2014

Allocation / Expenditure Summary	Funded	Exp/Obl	Projected	Balance
FXRS1261 Resource Management base - Wildlife & Habitat	1,168,460	1,157,900	5,695	4,865
FXRS1262 Resource Management base - Maintenance	2,523,695	1,935,609	583,293	4,793
Totals	3,692,155	3,093,509	588,987	9,658

Expenditures by Category	1261		1262	
	Exp/Obl	Projected	Exp/Obl	Projected
11** & 12**: Personnel Compensation & Benefits	254,226		158,946	
21**: Travel and Transportation of Persons	18,573	4,812	3,431	15
22**: Transportation of Things	150,000		47,129	
23**: Rent, Communications, and Utilities	2,804		39,629	173
24**: Printing and Reproduction	103		-	
25**: Other Contractual Services	722,671		1,672,634	582,505
26**: Supplies and Materials	7,926	882	12,592	600
31**: Equipment	1,597		1,248	
Totals	1,157,900	5,695	1,935,609	583,293

Source: FBMS OOTR FF01RMID00 FY2014 date run
9/21/2014

Exp/Obl includes payroll accrual through Sep 30, 2014
Projected \$582K in 1262 is primarily for routine flights, payments are non-referencing IPAC, not obligated.

Midway Funding History

Fiscal Year	Total FWS Funding	Project Specific \$	Operating \$
2005	\$7,709,237	\$3,155,544	\$4,553,693
2006	\$4,007,884	\$0	\$4,007,884
2007	\$5,252,603	\$1,213,652	\$4,038,951
2008	\$4,690,262	\$378,000	\$4,312,262
2009	\$4,975,094	\$637,500	\$4,338,594
2010	\$5,614,305	\$832,800	\$4,781,505
2011	\$8,998,830	\$4,460,000	\$4,538,830
2012	\$5,453,658	\$1,100,000	\$4,353,668
2013	\$4,053,563	\$350,000	\$3,703,563
2014	\$4,563,155	\$871,000	\$3,692,155

Prepared for

**United States Department of the Interior
Fish and Wildlife Service
911 NE 11th Avenue
Portland, Oregon 97232**

**REMOVAL ACTION WORK PLAN
REMOVAL OF LEAD-BASED PAINT FROM
STRUCTURES AND LEAD-CONTAMINATED SOIL
MIDWAY ATOLL NATIONAL WILDLIFE REFUGE
MIDWAY ISLAND
CONTRACT NO. F11PC00327**

Prepared by

**NW Demolition and Environmental,
A Joint Venture**



P.O. Box 230819
Tigard, Oregon 97281

29 February 2012

**NW Demolition and Environmental,
A Joint Venture**

7. DEMOLITION

7.1 General Demolition

The general demolition project sequence includes:

1. Abatement of environmentally controlled materials (LBP and ACM);
2. Salvage of re-usable components;
3. Demolition of the upper structure down to slab level;
4. Demolition of slab and footings;
5. Backfilling/grading with clean un-compacted sand; and
6. Other site restoration items and final site cleanup.

The wood framed Midway structures will be demolished with a 29-ton excavator fitted with a rotating grapple and/or bucket and thumb (or similar machine). NWDE will separate unpainted wood from non- recyclables as reasonably achieved with this heavy equipment.

Care will be taken to maintain the materials within the building footprint. The goal of this initial bulk demolition process is to lower the materials to the ground in a safe and controlled fashion, limiting the production of fugitive dust and the risk of flying debris. Sites that include slab removal will be restored to grade with un-compacted clean sand to promote rapid habitat restoration.

The wood-framed structures will be sorted into painted and unpainted wood. Painted wood will be hauled to the R-2 unit and treated with MAECTITE for disposal. Unpainted wood has the potential to be stockpiled with green waste and recycled on island. Due to the presence of nails and other mechanical connection items contained within the unpainted wood, this option may not be feasible.

Before performing any onsite fieldwork on Midway, NWDE will complete a Decommissioning/Inspection Form that highlights all the known potential issues that may exist. This form is initialed by the FWS PM or designated representative to attest to

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the awareness of these factors. Typically on a project site, all power (i.e., energetic) is deactivated prior to work commencement.

7.2 AST Demolition

The ASTs in DU8 scheduled for demolition will be accessed using an excavator/shear. The excavator will begin peeling strips from the exterior of the tanks. Shears will be used to minimize demolition volume and maximize recycling and reuse of materials. The tanks will be cut into manageable strips sized proportionately for transport, typically less than 20 feet in length using hydraulic shears or cutting torches. After the walls of the tank have been sufficiently removed, the floating roof residing at the bottom of the tanks will be processed. The tank steel will be stockpiled onsite until the end of the project and finally transferred to the chosen recycler by NWDE.

7.3 Waste Management

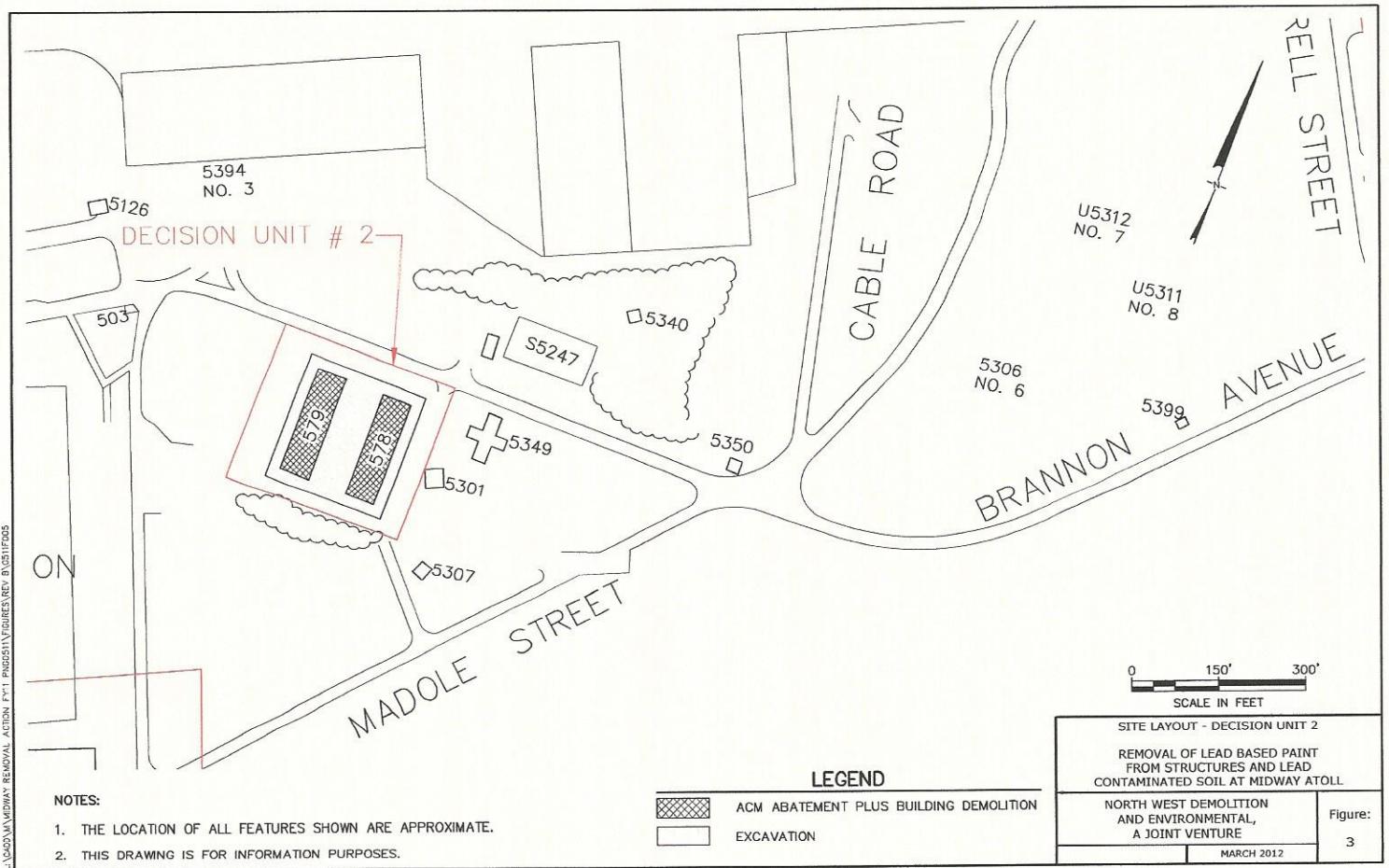
Materials from the Midway demolition activities will be separated to the greatest degree possible with specialized heavy equipment. Materials will be processed onsite to the degree possible to minimize transportation requirements. The following summarizes the general management of demolition materials generated on this project.

7.3.1 Clean Structural and Vegetative Wood Wastes

Clean structural wood (free of LBP and ACM) from the demolition of select buildings that can be separated from other demolition debris will be stockpiled with vegetation in a location on Site mutually agreed upon between NWDE and FWS for later processing. The final disposition of the material has not been determined although preliminary plans include downsizing the material and potentially grinding into mulch.

7.3.2 Metal Demolition Debris

Metals that can be separated from other demolition debris will be stockpiled in the existing “bone yard” immediately east of the Seaplane hangar. The metal demolition debris may be reduced in size and packed into containers or alternatively transported in its current state. The metal demolition debris will be barged off Site to a recycling facility by NWDE.



A DOCUMENT TO CREATE SOUND FISCAL POLICY FOR THE
MIDWAY ATOLL
AT NO TAXPAYERS EXPENSE

We begin by mentioning the basic rule that any justifiable fiscal policy should enjoy the strong desire and commitment by those in charge of the policy to ensure its success.

Midway Atoll is unique in that it is at the same time both a Wildlife Refuge and a National Memorial. Its islands offer to the public beautiful beaches and sunsets, excellent opportunities for boating and fishing, and a significant natural and historic resource. Of critical importance is that its airport remain an alternate landing site for extended twin-engine operations (ETOPS) in the north central Pacific, and for search and rescue missions run by the U.S. Coast Guard. All of the foregoing factors must be kept in mind when creating any operating plan for the Midway Atoll.

This document includes a cost/revenue statement for the month of July 2001, the only month in its six-year tenure in which the Midway Phoenix Corporation (MPC) made a profit while administrating the Midway Atoll. An analysis of this statement and some overall recommendations will follow.

STATEMENT OF OPERATIONS by MPC for July 2001:

Revenues:

Guest Operations:

Lodging	\$ 124,836.95
Per Diem Lodging	20,815.00
Clipper House Sales	18,991.40
Galley Sales	27,465.72
Bike and Cart Rental	14,237.50

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Tavern Sales	\$ 9,222.25
Gift Shop Sales	19,881.15
General Store Sales	13,675.48
Long Distance Revenue	8,275.19
Fishing and Diving Revenues	58,073.97
Internet Revenue	1,061.65
Mini' Bar Sales	2,723.75
 Total Guest Revenues:	 \$ 319,260.01
 Air Transport Revenues:	
Airfare	\$ 3,439.05
Shipping and Weight Revenue	2,820.00
 Total:	 \$ 6,259.05
 Fuel, Airport and Equipment Operations:	
Dockage Service Income	\$ 210.00
Fuel Sales - Aircraft	69,694.65
Fuel Sales - Boats	39,236.81
Fuel Sales – FWS	952.00
Landing Fees	5,960.00
 Total Fuel, Airport & Equipment:	 \$ 116,053.46
 All Other Revenue:	
Employee Recreation Revenue	\$ 11,760.00
Medical Billings Guests	2,851.00
Miscellaneous Revenue	35,979.40
Boeing Support	66,000.00
 Total All Other Revenues:	 \$ 116,590.40
 TOTAL REVENUES FOR JULY 2001:	 \$ 558,162.92

Transportation:

Aloha Charter Expense	\$ 85,200.00
Aloha Fees and Expenses	8,123.21
Vessel and Boat Expense	7,379.52

Total Transportation	\$ 100,702.73

Travel:

Airplane Tickets	\$ 13,316.58
Travel	7,472.39
Recruiting Services	643.84

Total Travel	\$ 21,432.81

Fuel Consumed by Fixed base	\$ 30,275.28
Fuels Consumed By MPC Vehicles	2,850.35
Galley and Cost of Food	18,290.72
Satellite and Fixed Telephone	677.22
Telephone Long Distance	1,249.67
Telephone Supplies and Equipment	379.75
Material, Supplies and Maintenance	15,913.08
Airport Expense	984.00
Medical Supplies	1,807.68
Freight	1,753.85
Office Supplies	1,009.31
Employee Recreation Expense	745.42

Total General Island Support	\$ 75,936.33

All Other Expenses:

Advertising	\$ 3,148.99
Professional Services	1,122.19
Phoenix Services	11,000.00
Taxes and Licenses	10.00
Bank and Card Fees	1,011.91

Miscellaneous Expenses	1,180.16
Lease Expense to MDY	22,800.00

Total All Other Expenses	\$ 40,273.25

Total Expenses:	\$444,759.94
Total Revenues:	176,232.48

Total Net Loss:	\$268,528.46

ANALYSIS:

The purpose of presenting a low-tourist month for analysis becomes obvious when one looks at the financial data for the month of January 2000: that is, it demonstrates that tourism to Midway is essential for the financial viability of the Midway Islands.

The net loss for operating Midway Atoll in January 2000 was \$268,538.46. The loss rises to \$372,951.48 if one excludes the revenues from tourism and visitors. Total fuel sales for that month were \$35,907.99, which is pale in comparison to the revenues from Guest Operations (\$104,423.02).

Again, the striking conclusion is that tourism is vital to the financial success of Midway Atoll and that fuel sales fall far short in making the Atoll financially solvent.

To this end, it is imperative that an experienced, committed entity be in charge of the total operations at Midway Atoll. All of its individual revenue sources are invariably linked and, as such, must be under one chain of command. Anything less will result in financial failure, leading inevitably to the closure of the airport, as well as to the closure of the Midway Atoll itself.

TOTAL REVENUES:	\$ 558,162.92
TOTAL EXPENSES:	\$ 532,025.22
NET PROFIT:	\$ 26,137.70
JULY 2001	

ANALYSIS OF THE REVENUE/EXPENSE STATEMENT FOR
THE MONTH OF JULY 2001:

Based on the above revenue/expense statement , one can conclude that it is possible to make a profit in the operations of Midway Atoll if reasonable rules of governance are applied. July 2001 was chosen because it was the only month MPC made a profit. July was also chosen because it is a peak tourist month and one in which a cruise ship did not visit Midway. A cruise ship visitation during this time period could have substantially increased the revenues. This same source of revenues was lessened when the U.S. Fish and Wildlife Service (USFWS) increased the restrictions for visiting cruise ships.

From the above revenue/expense statement, it is also clear that fuel sales alone are insufficient to offset the administrative expenses (\$532,658.91) of running Midway. It is therefore axiomatic that, based on the foregoing data, all of Midway Atoll's assets be utilized to ensure its financial viability. For this reason, the Midway Atoll should be viewed as a "histo-eco-tourist" destination.

Along these lines, it is important that the Midway Airport continue to maintain its Type 139 certification by the Federal Aviation Association (FAA) to ensure that the airport: (1) continues to act as an extended range alternative landing site for twin-engine aircraft (ETOPS) which cross the north central Pacific; (2) continues to be available to the U.S. Coast Guard's search and rescue missions and (3) continues to ensure the "histo-eco-tourism" status of the Atoll.

Specifically, the FAA requires a Type 139 Airport Certification for "the operation of land airports which serve any scheduled or unscheduled passenger operation of an air carrier that is conducted with an aircraft having a seating capacity of more than 30 passengers." Without this certification, a sound fiscal policy is impossible.

There are a potential number of other sources of revenue that are "histo-eco-tourist" friendly. These resources can be developed if this document is found to be acceptable to Assistant Secretary of Interior, Judge Craig Manson.

Critical to the long-range success of operating Midway is a prior written statement by the USFWS/DOI which delineates the specific rules of operation and restrictions before a contract with the private sector is agreed upon. This statement is absolutely necessary so that the rules of the operation and restrictions are not changed after the fact, which has led us to where we are today.

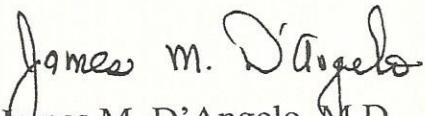
Moreover, a complete financial picture requires a thorough study to determine the cost of upgrading Midway's infrastructure to standard operational levels, as well as the maintenance costs of such infrastructure.

To conclude, the International Midway Memorial Foundation (IMMF) would recommend a permanent Advisory Board of Governors including the USFWS, National Park Service (NPS), International Midway Memorial Foundation, U.S. Coast Guard, U.S. Navy, FAA and the private sector corporation operating Midway Atoll. This Board would be responsible for overseeing the best interests of Midway and report back to the DOI quarterly in its first year of operation.

The International Midway Memorial Foundation (IMMF) is privileged to have had the honor of preparing this document for Judge

Manson's review. The Foundation also expresses its special appreciation to the Midway Phoenix Corporation¹ for its assistance in providing and explaining the financial statements included above, and to the Boeing Corporation for its support and willingness to assist in the production of this document.

Prepared by the Board of Directors and Trustees of the International Midway Memorial Foundation on January 8, 2003.



James M. D'Angelo, M.D.

President/International Midway Memorial Foundation

¹. The IMMF wishes to stress that it has no financial or other relationship with Midway Phoenix Corporation. The use of the financial information is for the sole purpose of demonstrating that Midway Atoll can be operated on a sound fiscal policy if reasonable rules of operation and restrictions apply.

ADDENDUM:

STATEMENT OF OPERATIONS FOR MPC:

JANUARY 2000

Revenues:

Guest Operations:

Lodging	\$ 33,459.21
Per Diem Lodging	1,300.00
Transient Lodging	17,070.00
Clipper House Sales	2,881.49
Galley Sales	21,736.51
Tavern Sales	1,201.25
Gift Shop Sales	6,189.95
General Store Sales	7,747.42
Long Distance Revenue	9,519.19
Bike and Cart Rental	3,080.00
Mini Bar Sales	238.00

Total Guest Operations Revenue:	\$ 104,423.02

Air Transport Revenue:

Airfare	\$ 21,285.91
Shipping and Weight Revenue	3,891.68

Total Air Transport Revenue	\$ 25,177.59

Fuel, Airport and Equipment Operations:

Fuel Sales - Aircraft	\$ 31,002.08
Fuel Sales - Boats	5.40
Fuel Sales - OSE	167.50
Fuel Sales – FWS	354.00
Landing Fees	1,979.01
ETOPS	2,400.00

Total Fuel, Airport & Equipment	\$ 35,907.99