

INTRODUCTORY STATEMENT BY ASSISTANT SECRETARY JOHN A. CARVER, Jr., BEFORE THE COMMITTEE ON INTERIOR AND INSULAR AFFAIRS, HOUSE OF REPRESENTATIVES, ON H.R. 5358, JUNE 19, 1961

Mr. Chairman and Members of the Committee:

In addition to my duties as Assistant Secretary for that portion of the Department of the Interior's mission which includes our territorial function, the Board of Directors of the Virgin Islands Corporation last March paid me the honor of electing me its Secretary. Therefore, I come here today in a dual capacity, presenting the Department's position on H.R. 5358 and also as a representative of the Board. I must say that, while the Board has not officially considered or passed upon this specific bill, I am confident that I can reflect its general sentiments on the subject.

As you well know, Secretary Udall addressed a written report to this Committee on H.R. 5358 on April 18, 1961. This was in response to your verbal request to representatives of the Department during hearings on a different, but related, measure. Our position has not changed from the respectful, but firm, opposition reflected in the written report.

First this legislation is not necessary to assure the dissolution of VICORP at a reasonably early date. Unless the Congress should decide otherwise, the Corporation's life will expire in another eight years by operation of the limitation set up in the very legislation which created it. Further, the Board of Directors can initiate action to dissolve the Corporation at any time prior to that automatic termination date, or it may dispose of all or any part of its assets from time to time between now and then. Thus the Corporation will come to an end in eight years--or a whole lot sooner if the governing body determines that its usefulness is ended.

I am wholly confident that the Board can be relied upon to make this determination in an entirely objective fashion. A strong majority--five of the seven--are stateside residents, either business men or government officials who have the entire national good as their objective. Thus only two members represent the local interest of the Virgin Islands--which is not at all to say that they would act in a biased manner, because they have over a long period demonstrated their devotion to the common good of the entire American structure. A Board so constituted is entirely capable of evaluating the continued usefulness of the Corporation or any of its activities and of dissolving it or taking some other action at any time that it fails to serve the purposes for which it was created.

Secondly, this proposal for a forced liquidation is not timely--and this for a number of reasons. As Secretary Udall reported, the new Board members (all of the statutory officers who serve ex officio) have not had adequate opportunity to

become familiar with the relative merits of continuance or dissolution. Their first meeting was necessarily an organizational and a familiarization session and it will be several weeks before a further meeting can be held. Even that session will not provide the opportunity to consider dissolution, because there is need for careful consideration of several policy and management matters which are pressing for resolution in order to protect the investment which the United States already has in this instrumentality.

But this issue involves much more than merely finding time for a couple of meetings. If the Board were to attempt to arrive at such a decision in the next few months, it would be doing so merely on the record of the Corporation's performance over the past few years--under policies which may or may not have been designed to accomplish in full what VICORP was set up to do. I do not say that VICORP has to be defensive about its record. Those things which it has undertaken to do have aided substantially in the development of the area. But, before we abandon it, I think we must look at the needs of the Virgin Islands, measure those needs against the VICORP charter and reach a decision as to whether VICORP is the proper vehicle for assisting the Islands in reaching realistic economic goals. In short, I am concerned about what VICORP has not undertaken to do, rather than emphasize deficiencies in past performance.

My third objection to a forced dissolution at this time is the very practical one that it would divert attention, time and effort away from the constructive development so needed in the area. I am acutely aware, as I am sure you are, that the Corporation represents a bundle of very valuable assets--including utility services, industrial and agricultural plant, and more than 3,000 acres of increasingly more valuable land. To dispose of these assets in a careful, business-like manner would require concentrated attention and expert staff which we believe could be more properly devoted to effective and imaginative administration--at least for the time being.

As a final point, VICORP is not now costing the American taxpayer anything in the way of current subsidy expenditures. We are hopeful that it will never again be required to ask for appropriation support--although I will not be so shortsighted as to make that a firm pledge. You know, of course, that the Corporation is operating on loaned capital from the Treasury--but this does not burden the taxpayer in the long run since the going average interest rate is paid on such loans and we have every expectation that ultimate sale of its assets will fully return the principal. Certainly, operating losses in sugar operations have occurred in the past, largely because of natural causes. But, as a normal thing, these losses seem avoidable and this year we are anticipating a healthy profit to offset recent losses and continuing favorable weather and market conditions could provide reserves against bad crop years. In any event, the Congress has recently taken action on this point to require that the deficit from sugar operations be deducted from the matching funds due the Virgin Islands Government under the formula of the Organic Act. We have not had a real opportunity to assess the impact of this policy change but, unanticipated as it was, the effects upon

Virgin Islands Government budgeting are likely to be disrupting. I cite this development, however, only as added proof that we are moving strongly in the direction of relieving the taxpayer of any added liability for VICORP operating results. If nature will but cooperate for a few crop seasons, this policy change will be a moot issue anyway.

The Virgin Islands are a challenging combination of problems and opportunities, and no one knows this better than its new Governor, Ralph Paiewonsky. One of his first official acts in office was to call for a commission composed of members of the executive, the legislature and the public to explore with the officials of VICORP their mutual problems and common goals. Secretary Udall and Governor Paiewonsky both think this Corporation can be made to do much more to develop the economy of the Virgin Islands, at little or no cost to the Federal taxpayers. If they are right, the Corporation should be retained a while longer. If they are wrong, you may rest assured that they will provide the moving force for its dissolution. I am convinced that the public interest requires that they be given the opportunity to make it work.

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