



43

UNITED STATES  
DEPARTMENT OF THE INTERIOR  
OFFICE OF THE SECRETARY  
WASHINGTON, D.C. 20240

Ref INT 406 408  
01 1198

MAR 29 1966

Dear Mr. Schultze:

Enclosed are four copies of a proposed bill "To amend the Act of June 30, 1954, as amended, providing for the continuance of civil government for the Trust Territory of the Pacific Islands," with attachments, and a proposed letter transmitting the bill to the Speaker of the House.

We consider this legislation to be of such importance that we ask that consideration be given to having the President sign the letters that will accompany this bill to the Congress, or covering letters. The letter to the Speaker contains the usual Bureau of the Budget clearance paragraph, which would be changed if the President did consider the bill important enough to endorse it by signing the letter.

Please advise us of the relationship of this proposed legislation to the program of the President.

Sincerely yours,

Secretary of the Interior

Hon. Charles L. Schultze  
Director, Bureau of the Budget  
Washington, D. C.

Enclosures 4

①

Microfilmed by RMIS

pol 19 P&E TT

04-425838



UNITED STATES  
DEPARTMENT OF THE INTERIOR  
OFFICE OF THE SECRETARY  
WASHINGTON, D.C. 20240

01  
4  
01198

Dear Mr. Speaker:

Enclosed is a draft of a proposed bill "To amend the Act of June 30, 1954, as amended, providing for the continuance of civil government for the Trust Territory of the Pacific Islands."

We recommend that the bill be referred to the appropriate committee for consideration, and we strongly urge that it be enacted.

The bill authorizes the appropriation in the coming years of funds that would be, in our judgment, sufficient to permit the proper discharge of our obligations in the Trust Territory.

This Government has committed itself to promote the political, economic, and social development of the people of the Trust Territory. If we are to carry out this commitment, enactment of this bill is urgently required. We have, during the twenty years that we have administered the area, made progress toward the achievement of acceptable levels of development, but we have very much farther to go. We need authority to expend much more Federal money in the Trust Territory than we have spent in the past. Our responsibilities to the Micronesians permit no alternative. The enclosed bill is necessary to achieve that result.

The bill in section 1 authorizes an appropriation of not to exceed \$172,000,000 for a capital improvement and public works program in the fields of health and education, utilities, roads, transportation, communications, and public buildings. No time limit is specified for completion of the program, but it is our hope and expectation that this total sum would be appropriated during the fiscal years 1967 through 1971, with the resulting facilities constructed and available for operation during the fiscal year 1972.

Section 1 also authorizes the appropriation of such additional amounts as may be necessary for the administration of the Trust Territory. In lieu of a ceiling on the latter appropriation authorization, section 1 requires that within ten days after the President submits to the Congress his annual budget or a supplemental budget request that includes a request for appropriations for the Trust Territory, the Secretary of the Interior must submit to the Senate and House Interior and Insular Affairs Committees an explanatory statement of the capital improvement, public works, and other costs of civil administration of the Trust Territory. This pro-

11-198-71

04-425839

vision will give the Committees responsible for the authorization of funds for the program an opportunity to review the program before funds are appropriated.

We strongly believe that the capital improvements program we have projected for substantial completion in 1972 is so essential that it ought not to be deferred over a longer period of time. While we strongly recommend for your consideration the program as projected, we at the same time recognize that the period of five years carries with it no magic and that the program could be accomplished in a fewer or a greater number of years--although, in our estimation, not nearly so effectively as to the value, both tangible and intangible, received from the dollars expended.

For example, if the program could be accomplished in one year, we estimate its total cost would be in excess of \$250 million because of the unwarranted "crash program". If the program were undertaken over a ten-year period, we estimate the cost would probably reach \$240 million.

The "crash" approach would be extremely expensive in terms of mobilizing and importing at premium rates equipment, materials, and manpower with little benefit to the Micronesians in terms of employment, training, or participation in designing and operating the facilities. The longer period would not enable us to overcome the demands imposed by population increases and would involve additional, though largely incalculable costs, such as lost education opportunities, the debilitating effects of preventable, yet unprevented, disease, and resources remaining unused while human subsistence stands at a relatively low level.

The enactment of section 1, and particularly the authorization of the capital improvements program, will do much more than provide merely for an acceptable physical plant in an appropriate number of years. It cannot help but provide an effective training ground for Micronesian labor and be the means of stimulating the total economy of the Trust Territory, thus beneficially multiplying the economic impact of every dollar spent in the local economy.

Insofar as Micronesian labor is concerned, it is the intention of the Government of the Trust Territory to utilize competent local labor to the limit of its availability and to insist upon training programs whereby those Micronesians who lack requisite skills may acquire them. Thus, it is anticipated that ultimately the major segment of the trained labor force will be Micronesian. There is no reason to suppose, barring unforeseen reverses, that the greatly expanded requirements for operation and maintenance which will be associated with completed elements of the capital improvements program, together with the almost certain collateral

development in the private sector, will not provide opportunity for employment for those who are trained in the course of program. That these benefits can be derived from the program is demonstrated by the size and competence of the local labor force which exists today in American Samoa, after a comparable period of major capital improvements.

From July 1, 1951, when the President gave the Secretary of the Interior administrative responsibility for the Trust Territory, to June 30, 1966, \$121,905,000 has been appropriated for the administration of the area, including capital improvements. These funds have been used to provide minimal basic services for a people who were largely on a subsistence economy and who, despite centuries of alien rule, have not been afforded an opportunity to become part of the modern world.

The wide expanse of the Trust Territory and its widely scattered people (50,000 people on 2,000 islands scattered over almost 3,000,000 square miles of the Pacific Ocean) have created enormous administrative problems. To meet these problems, the Trust Territory has been divided into six administrative districts. At the present time, four of these six districts are being broken down into seven sub-districts, or regional service centers. Three more regional service centers probably need to be established. These regional service centers will bring 90 percent of the people of the Trust Territory within reasonable distance of improved educational, medical, and economic development programs.

If we are to bring the medical facilities of the Trust Territory to an acceptable level within the next five years, an expenditure of \$30,000,000 is estimated. This will provide additional hospitals, dispensaries, and related facilities. It will also allow us to recruit an additional 20 qualified medical doctors for the medical staff, raising the total number of medical doctors and medical practitioners to 60. It also envisions the recruitment of needed support personnel, such as nurses and medical technicians of various types. These additional services will call for an increased operational program for Public Health estimated to range from \$4,500,000 for fiscal 1967 to an estimated \$7,400,000 in fiscal 1972.

In order to meet properly the educational requirements of the Trust Territory, we estimate a need for school facilities costing a total of \$76,979,000 in the five fiscal years 1967 through 1971. This sum will be broken down into \$23,020,000 for elementary educational facilities and \$48,959,000 for secondary educational facilities. This sum will build and equip 834 new classrooms for the elementary schools and 356 classrooms for the secondary schools. These figures also include the cost of related facilities, such as teachers' quarters, dormitories for the secondary students, kitchens, sanitary facilities and others. This large figure does not include the cost of an educational television system, which cannot be determined until a feasibility study, now underway, is completed.

Head in hand with the capital improvement program for education will go increased operational budgets. The operational budget for education based upon needs for school facilities is estimated to increase from \$5,524,000 in fiscal 1967 to \$16,450,000 in fiscal 1971.

Improvement in transportation and communication facilities are of the utmost importance if health, education, and economic advances are to be expected. In order to provide the needed transportation facilities, we plan to spend an estimated \$7,095,000 over the next five fiscal years to improve the airport facilities, \$10,700,000 during the same period for road and street construction and improvement, and \$2,000,000 on harbors, piers, and related facilities. These improvements are badly needed to allow a free, unlettered flow of goods and people into and within the Trust Territory.

One of the most vital supporting facilities is a network of communications among the islands. Health, education, and economic development cannot be expected to function without adequate communications. The plans now call for an expenditure of an amount estimated at \$2,830,000 over the next five fiscal years to provide the needed communication facilities.

Power, water, and sewage disposal facilities are urgently needed throughout the Trust Territory, both for the expanding governmental activities and for the public use. In order to provide adequate water, power, and sewage facilities our plans call for an expenditure estimated at \$57,040,000 from fiscal 1967 through fiscal 1971.

If we are to meet the increased needs of the people of the Trust Territory, we will need to provide new buildings and other facilities to house the Government that will administer the operations of the Territory. The proposed program for capital improvements over the next five fiscal years calls for an expenditure of \$10,227,000 for the construction of government buildings.

The capital improvement program that this legislation will make possible will allow this Government to make the needed improvements in the Trust Territory to allow its people to enter the twentieth century. These investments will create a favorable climate for the economic development of this area and its people.

In the attachments to this report, a more detailed breakdown and explanation of our plans for the Trust Territory of the Pacific Islands for the next five years is given.

Section 2 of the bill conveys all right, title, and interest of the United States, if any, in eight named vessels to the Government of the Trust Territory. All of the vessels are presently held by the Trust Territory Government and operated (through private contractors) to provide shipping facilities and logistic support within the Trust Territory. The utilization of "quit claim" language in the bill is occasioned by an unresolved question as to the extent of the United States interest in certain of the vessels.

The Bureau of the Budget has advised that there is no objection to the presentation of this proposed legislation from the standpoint of the Administration's program.

Sincerely yours,

Secretary of the Interior

Hon. John W. McCormack  
Speaker of the  
House of Representatives  
Washington, D. C.

Enclosures

A B I L L

to amend the Act of June 30, 1954, as amended, providing for the continuance of civil government for the Trust Territory of the Pacific Islands.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 2 of the Act of June 30, 1954 (68 Stat. 330), as amended (76 Stat. 171), is hereby amended to read as follows:

"SEC. 2. There are authorized to be appropriated for the fiscal year 1967 and thereafter not to exceed \$172,000,000, to remain available until expended, to carry out a program of necessary capital improvements and public works related to health, education, utilities, highways, transportation facilities, communications, and public buildings, and there are further authorized to be appropriated such additional sums, to remain available until expended, as may be necessary to carry out the purposes of section 1(a) of this Act. Not later than ten days after the President submits to the Congress his annual budget or a supplemental budget request that includes a request for appropriations for the Trust Territory of the Pacific Islands, the Secretary of the Interior shall submit to the Committees on Interior and Insular Affairs of the House of Representatives and the Senate a statement of the

capital improvement and public works program, and all other costs for the civil administration of the Trust Territory proposed in the budget request being submitted."

SEC. 2. All right, title, and interest of the United States Government, if any, in the following named vessels is hereby transferred to the Government of the Trust Territory:

GUNNER'S KNOT  
PACIFIC ISLANDER  
PALAU ISLANDER  
YAP ISLANDER  
TRUK ISLANDER  
KASELEMLIA  
MILITTOBI  
RAN ANNEM

The United States flag may be displayed, in addition to the flag of the Trust Territory, by vessels of the Trust Territory for identification, but the said vessels shall not thereby be deemed United States flag vessels nor vessels documented under the laws of the United States.



Att. 10  
425888  
(3/29/66)

02  

---

3,6

## ATTACHMENT I

### EXPLANATION OF THE BILL

#### Historical Background

The islands which form the Trust Territory lie in three major archipelagoes to the north of the Equator in the western Pacific. The land area totals less than 700 square miles, but it is scattered over almost 5,000,000 square miles of open ocean. About 97 of the more than 2,000 islands are inhabited; they range from low-lying coral atolls to high islands of volcanic origin. The Mariana Islands, which stretch to the north of Guam, and the western Caroline Islands are typically high islands, although coral atolls, such as Ulithi, do occur. The eastern Caroline Islands are similarly a mixture of high islands and coral atolls. The Marshalls are entirely low coral atolls, usually a loose string of narrow sandy islands surrounding a lagoon.

These islands were governed between World War I and World War II by the Japanese as a League of Nations mandate. Converted into military bases by the Japanese, they were captured by Allied forces during World War II and placed under Navy military government. Japanese colonists and military personnel were returned to their homeland after the war and in July 1947 the United States placed the former mandate under the newly established United Nations Trusteeship System. In recognition of the defense value

04-425846

of these islands, the provisions of the United Nations Charter relating to strategic areas were brought into play and the trusteeship agreement was concluded between the United States and the Security Council. Under the trusteeship agreement, the United States has undertaken to promote the educational, social, political, and economic development of the people of the territory.

Administrative responsibility was first vested by the President in the Navy but was transferred to the Secretary of the Interior on July 1, 1951. In 1952, administrative responsibility for the northern Mariana Islands was reassigned to the Navy and the dual administration continued until July 1, 1962. On that date the Marianas were returned to Interior supervision and the headquarters of the Trust Territory government were moved to Saipan as provisional capital of the territory. Six administrative districts, which roughly conform to geographic and ethnic divisions, have been established and have formed basic elements in American administration of the area.

During the period of July 1, 1951, through the end of fiscal year 1965, a total of \$121,905,000 has been appropriated to the Department of the Interior for administration of the area, including capital improvements. (This total is exclusive of funds appropriated to the Navy for the Northern Mariana Islands during the years 1953-1962.) For fiscal years 1952 through 1962 the

annual appropriation ranged from \$4,271,000 to a high of \$6,304,000 in fiscal year 1962. These funds were within the \$7.5 million authorization approved in 1954, and provided minimal basic services to a people who were largely on a subsistence economy and who, despite centuries of alien rule, had not been afforded an opportunity to become part of the modern world.

Enactment of Public Law 87-541 in 1962 increased the Federal appropriation authorization for the Trust Territory from \$7.5 to \$15 million for fiscal year 1963 and \$17.5 million thereafter. The funds which have been appropriated and expended under this new authorization have made possible an appreciable start toward bringing the physical facilities and the level of services to a minimum standard acceptable in an American community. In addition, there are some beginnings in the development of Micronesian resources. In spite of the start which has been made, however, an enormous amount still remains to be accomplished if we are fully to discharge the responsibilities we have assumed in the Pacific.

The problems of supplying basic facilities and services in the Trust Territory are compounded by the widely scattered population, its rapid growth, its high proportion of children, and the relatively low level of economic and social development in the islands. The present population of 90,000 has been growing at an overall rate of almost 4 percent annually

and, if that rate continues, will reach 100,000 by 1970. This rate of growth compares with 1.6 percent for the United States, 2.3 percent for India, 0.9 percent for Japan, and 3.2 percent for the Philippines. Some of the Trust Territory islands have a population density of 1,900 persons per square mile, although others have a population density as low as 50 persons per square mile. Almost one-half of the population is less than 20 years of age.

A major shortcoming of past efforts to provide services to the people of the territory and to promote their economic development has been the difficulty of reaching the population living on the more remote islands of each district. Approximately 56 percent of the total population lives on the islands where the six district centers are located. Initial developmental efforts were largely confined to those six centers. During the last few years, however, a start has been made toward providing needed services, such as intermediate or secondary schools and regional health centers, to some of the sub-centers, such as Ulithi, Kusaie, and Ebeye. The establishment of approximately seven such sub-centers will bring a substantially greater percentage of the total population within the orbit of improved educational, medical, and economic development programs. These seven sub-centers, or regional service centers, would be distributed through four of the six districts. Three would be located in the Marshalls, at Jaluit and Ebeye and one in the northern Marshalls. One would be located

in the Ponape District at Kusaie. One would be located in the Truk District in the Mortlocks. Two regional service centers would be located in the Yap District at Ulithi and at Woleai.

The establishment of these regional service centers will bring 90 percent of the people of the Trust Territory within reasonable distance of adequate health, education, and other governmental services. The remaining 10 percent of the population is scattered in small, relatively isolated, communities of 100 people or less.

#### Health

Under the accelerated program commenced in fiscal year 1963, improvement in health services to the Micronesian people has been considerable. However, there is still a very high incidence of filariasis, amoebic dysentery, leprosy, and tuberculosis--illnesses which are almost unknown or completely controlled in the United States, and which could be controlled in the Trust Territory. There are almost no registered nurses in the Trust Territory, and 90 percent of the doctors are not qualified by medical degrees. The district hospitals are all overcrowded and three are wholly inadequate. Most of the 90 outlying dispensaries are structurally unsound and staffed largely by insufficiently trained personnel.

At the present time, funds are available for the first increments (at about \$1 million each) for new hospitals at Truk and Ponape, but funds are not

available for their completion. Nor do we have amounts available for construction of a badly needed 100-bed hospital at Yap; replacement of completely inadequate subdistrict health centers at Ebeye and Kusaie; construction of regional health centers; and urgently needed community dispensaries. If we are to bring the medical facilities of the Trust Territory to an acceptable level reasonably soon, that is, in five years, an expenditure of \$50 million must be anticipated.

These funds would provide for completely new hospitals of 200 beds at Truk, 150 beds at Ponape, and 100 beds at Yap; additional beds and improvements to those at Palau, Majuro, and Saipan; and construction of seven sub-center health facilities of 30 to 50-bed capacity in Ebeye, Kusaie, Jaluit, the northern Marshalls, the Mortlocks, Woleai, and Ulithi. In order to provide adequate services, some of these regional service centers must be provided with small support vessels. These vessels would not only be medical vessels but would also provide for the transportation of other personnel, such as education supervisors and agricultural extension agents who would be working directly with the communities. At the present time a need is foreseen for four service vessels to be stationed at Jaluit and Ebeye, in the Marshalls; in the Mortlocks, at Truk; and at Ulithi in the Yap District. These vessels would primarily be personnel carriers of less than 100 feet which could respond swiftly to emergencies, be in constant radio contact with the regional service center and the smaller communities,

and generally provide the vital link that would bring governmental services to people living on small islands.

The other service centers are close enough to the District centers to be supported by present vessels. In addition to the vessels, there is the distinct possibility that small support aircraft with water landing capabilities will be utilized.

These funds would also provide for about seventy-five community dispensaries, of 2-4 beds each, which would be located in smaller communities in outer-island areas throughout the Trust Territory. These communities are now served by tin or thatch-roof dispensaries. We would propose that radio equipment be installed at each community so that word of emergencies and other illnesses could be received at the pertinent District center or the regional service center. These improvements are considered to be the minimum needed by 1972. The Public Health operational program must be greatly improved over the next five years in order to bring more effective health services to the people of Micronesia. Under the proposed bill, additional doctors would be recruited to augment the doctors now practicing. It is planned that 20 medical doctors would be added to the staff by 1972 in order to bring the total number of medical doctors and medical practitioners to 60.

Registered nurses would be recruited both for medical care in the hospitals and for Public Health duty. By 1972 a total of 36 registered nurses and 13 to 21 Public Health nurses should be added to the staff to provide improved medical care, training for Micronesian nurses, and increased public health services to many communities.

Adequate medical and paramedical staff should be employed to operate district center facilities, regional health centers, and outlying dispensaries. Laboratory technicians, X-ray technicians, hospital administrators, and health workers of all kinds should be recruited. The Trust Territory will, of course, train and employ as many Micronesians as possible for these posts.

Special programs for the detection, isolation, treatment, and rehabilitation of patients ill with tuberculosis, leprosy, filariasis, and other diseases would be mounted. Provision should be made for close cooperation with the U. S. Public Health Service, as well as bringing short-term consultants on special problems to the Trust Territory.

The estimated cost of the operational program for Public Health by fiscal year may be seen in attachment II, which indicates that the cost will range from an estimated \$4,500,000 in fiscal year 1967 to an estimated \$7,400,000 in fiscal year 1972.



### Education

The accelerated program from 1953 to the present has resulted in 500 new classrooms for the Trust Territory school system, and enrollment has increased to about 21,500 pupils. Of this 21,500, about 19,000 are in elementary school, compared to about 12,000 in 1960. Approximately 2,500 are attending public secondary schools, compared to 185 in 1960. In spite of the new construction, we have not been able to add classrooms to keep up with increased enrollment. Half of the classrooms now occupied are far below an acceptable standard and many are greatly overcrowded. High schools have been established in each of the six District centers and in the sub-centers of Nasaie and Ulithi. Although these secondary schools now accommodate about 2,500 pupils, enrollment is sharply limited by availability of classrooms. Under our current budgetary limitations, in fiscal year 1968 only one of every two children who graduate from the eighth grade will be able to be admitted to high school because of space limitations. Unless secondary school facilities are greatly increased, by 1972 we will be able to accept in high school only one of every four eighth grade graduates.

By 1972 it is estimated that the Trust Territory will need space for more than 8,000 students at secondary levels.

Although some 200 fully qualified teachers have been hired in the school system, by recruitment from the mainland, and although a training center

has been established to upgrade Micronesian teachers, fully 43 percent of all public school teachers have not graduated from high school, and an additional 30 percent have only high school diplomas. More than half of the Micronesian teachers cannot teach in the English language. Of the total Micronesian population, less than 25 percent is literate in English and fewer than 5 percent have graduated from high school.

The construction of sufficient classrooms and related facilities, including teachers' quarters, to house adequately all eligible elementary pupils by the fall of 1972 will cost an estimated \$23 million. This will provide 870 classrooms, for a total enrollment of more than 29,000 pupils. A construction program for secondary and vocational facilities, including teachers' quarters, in order to house adequately all eligible secondary students by 1972, will cost an estimated \$49 million. At that time, an enrollment of more than 2,000 is anticipated at 13 high schools located at the six district centers and the regional centers.

In order to strengthen the operational program in education, special attention must be devoted to the teaching of English, the secondary school program and curriculum, teacher training, educational materials, higher education and adult education. The program planned for the next five years will make maximum use of Micronesian personnel and will supplement Micronesians with education specialists with stateside training. A

greatly improved program of teaching English as a foreign language will be instituted, which will attempt to reach every elementary and high school student. A major emphasis must be given this program if we are to make the next generation of Micronesians literate in the English language.

The entire secondary program must be evaluated in terms of the goals of Micronesians and special emphasis must be placed on training for the employment opportunities which economic development specialists see as the future of the Trust Territory. Guidance for the high school students should be provided and opportunities must be provided beyond high school for those who will be seeking employment in specialized, technical, or professional skills.

The adult segment of the population should be helped to understand the nature of the change that is taking place in Micronesia and to bring to that change the old values that make for strength in newly emerging Micronesia. In addition, all who can be taught to read and write English should have that opportunity and other skills should not be neglected.

Special teacher training courses have already been set up at Fongso for Micronesian teachers. These courses would be greatly expanded and opportunities for teacher training provided in other districts. The teacher training program will augment the ongoing college training program.

The estimated program cost for education ranges from an estimated \$1,000,000 in fiscal year 1967 to an estimated \$16,500,000 in fiscal year 1971.

This program does not specifically provide for the use of educational television, although a feasibility study is being initiated. The wide dispersion of the population and the nine local languages involved may make the use of this education medium problematical in terms of more traditional alternatives. In the event the analysis concludes that an ITV system is technically practical in terms of cost related to persons to be reached, a separate request for a construction appropriation would be set forth as a part of the annual civil government appropriation report.

#### Housing

A major and continuing problem in the Trust Territory has been in the area of housing for the Micronesians. Throughout the area there is almost no decent housing and communities are characterized by the large number of dwellings constructed of leftover World War II corrugated iron. Because of the low income level of the people, lack of lending institutions, and lack of long-range community planning, there has been little success in launching well-developed housing programs.

It is proposed to initiate a territorywide low-cost housing program to be administered by the government and to function in the pattern established by HUD for the self-help Indian housing program. A revolving loan fund would be established which would eventually reach \$2,000,000, and which would be used to make low-interest, long-term loans to individuals and housing authorities desiring to build housing according to approved standards.

#### Transportation and Communications

Improvements in transportation and communication facilities are of the utmost importance if health, education, and economic advances are to be expected.

Airfield runways which have been built must be surfaced and protected from erosion; runway lights should be installed; the airport at Ponce must be upgraded; and other airport improvements should be provided, such as taxiway lighting, navigational aids, parking ramps, and terminal facilities. The estimated amount for airport capital improvement purposes is \$7 million.

One of the most vital elements of supporting facilities is the network of communications among the islands. Health, education, and economic development cannot be expected to function effectively without adequate communications. Urgently needed communications facilities include improved

radio equipment at each district center and regional service center, and the installation of two-way radio communication equipment in each community in the Trust Territory with a population over 50, to connect with the regional service centers. A microwave system is planned for the Guam-Saipan circuit in order to enable voice communication between Saipan and Guam, and on to the mainland United States. It is also necessary to provide adequate telephone systems within the District centers for both commercial and government use. Installation of new and improved communications facilities is estimated to cost \$2.9 million.

If the improved sea transportation schedule is to be made most effective and if regional service centers are to be adequately supplied by sea transportation, additional investment must be made in docks and related facilities. Many docking facilities should be improved in order to permit quick loading and discharge of ships and reducing lightering and longshore work. Berthing should be accomplished at a number of locations in order to permit vessels to approach existing docks and to widen passages through reefs and shallows. Harbor entrances and channels need to be buoyed and marked where new facilities are planned. Wharves, dock facilities and harbor improvements are estimated in the amount of \$3 million.

#### Highways

With few exceptions, roads in the Trust Territory are generally deplorable, but our essential programs of education, health, and economic development are clearly dependent upon an adequate road system.

An adequate road system is essential in order to transport children to school. With a road system it will be possible to consolidate elementary schools on many islands and achieve better educational results as well as significantly lower costs. In addition, many of the high school children will be able to live at home in a family atmosphere instead of having to live in a dormitory at the school--an expensive and frequently unwarranting means of education at the secondary level. Adequate roads are also essential for transporting patients to medical facilities and for transporting agricultural and other products to marketing or shipping centers, thereby encouraging commercial and agricultural production. As to this last point, it has been estimated that if suitable roads were available on the major islands, for improved copra collection and transport, the production of this valuable crop would double. Copra is now the leading source of commercial income, and a major source of tax revenue.

It is planned to construct some 250 miles of road at an estimated cost of \$10.7 million. On a District basis, there is need for 70 miles in the Marianas, 90 in Palau, 25 in Yap, 30 in Truk, 70 in Ponape, and 5 in the Marshalls. Of the total, 150 miles would be gravel or coral surfaced at an estimated cost of \$30,000 per mile, and 100 miles would be asphalt surfaced at an estimated cost of \$50,000 per mile.

Utilities

Power, water, and sewage disposal facilities are urgently needed throughout Micronesia. These utilities are required both for expanding governmental activities and for the private sector. At the present time, less than 20 percent of the total population has a protected water supply. While sewage systems do exist on some islands, there is no sanitary disposal system on any island. The extremely high incidence of parasitic worms, gastroenteric disease, and amoebic dysentery can be directly attributed to contamination of water supply by human waste. The elimination of these diseases by proper sanitary and water systems will save unnumbered hospital days of care, as well as a great amount of human misery and death.

While electrical power is available at each District center, there is continuing demand for additional service on a reimbursable basis from the general public. In addition, new power systems must be developed at our regional service center islands to provide for the demand of new government facilities and the local populations.

In order to provide the utility systems needed, \$7 million will be needed to construct the necessary sewage disposal facilities, \$13 million will be needed to provide pure water supplies, and \$12 million will be needed to provide generating and distribution systems.



These estimates anticipate that adequate water, sewage disposal, and power services would be installed to meet the need of both public and private consumers at each of the six District center communities as well as the seven regional service centers. By this means approximately 90 percent of the people of the Trust Territory would have these services. It is planned of course that these services would be available for commercial and home consumption.

#### Government Buildings

There are many services provided by the Government in the Trust Territory which in the United States, are usually performed by the private sector. The repair of equipment, the production of aggregate, the storage of food and equipment, and the provision of refrigerated storage are examples. This situation, which cannot be changed in the near future, or until the general level of Trust Territory economic activity is appreciably raised, forces the Government to construct repair shops, rock crushing systems, warehouses of many kinds, and cold storage units. In addition, court houses, administration buildings, employee quarters and legislative buildings are required. Throughout the Trust Territory, public buildings are in a sorry state. It is estimated that \$10 million will be required for all of these structures.

The total capital improvement authorization requested is \$170 million. This is the amount which we estimate will be needed in order to bring the Trust Territory physical plant to acceptable standards by 1972. We strongly believe that the program which has been projected is so essential that it should not be deferred.

#### Economic Development

The economic resources of the Trust Territory are limited, yet with suitable guidance and assistance, the potentials that exist can be developed. At the present time most of the population is on a subsistence economy. However, at least in the District centers and on Ebeye, this picture is changing and there is significant movement into a limited cash economy.

Revenues from the Trust Territory in 1964 totalled \$2,700,000, of which all but \$20,000 represented copra sales. The largest single employer is the Trust Territory government, with some 3,000 employees receiving close to \$4 million annually. Another 2,000 to 3,000 are employed in the private sector, with total wages of \$2 million to \$3 million annually.

At the present time a thorough analysis of the economic structure of the Territory is underway. This analysis is being conducted by a team

from Robert R. Nathan Associates, and will not only involve a comprehensive economic development plan but will assist in implementation of promising potential projects.

While the economic development plan is not yet complete, some indications of the future are already becoming clear. It is almost self-evident that the resources of the sea will play a major role in the economic future of Micronesia. A tuna freezing plant at Palau has been extremely successful and planning is proceeding for construction of additional plants in Palau, in Uluk, and possibly in Ponape. Other fishery resources remain to be explored.

Among the other promising aspects of possible economic development, which appear to hold promise. Tourism, which is largely undeveloped, appears to be a major possibility. The beauty of these islands, the abundance of the lagoons, the increasing ease of transportation, as well as other factors are making the Territory increasingly attractive as a tourism investment area.

Agriculture, even though the land area is limited, is capable of greatly increased production. Cattle raising, specialty crops such as coconuts

and pepper, increase of copra production and market gardening all present distinct possibilities.

The economic effect of the proposed capital improvement and operation program cannot be over-estimated. Planned in connection with a coherent economic development program it will provide a powerful stimulus to development, but superimposed planlessly on the narrowly based economy of the Trust Territory, the effect could be devastating.

With proper planning, the new program will create markets that would make it possible to produce certain kinds of goods on a scale that would be economic, sooner than would otherwise be possible. It would stimulate flows of income that would make possible local savings and investment in productive capital, encouraging development of a banking system. An entrepreneurial class would be developed by providing economic opportunities. An incentive would be provided for the development of skills and a strong motivation for education. Finally, the local tax system and territorial revenues would be expanded greatly through tapping the increased flow of goods and income, thereby increasing the contribution of the Territory to its own development.

All of these effects offer economic opportunities if the development program is planned to take advantage of them, that is, use them to raise the productivity of Micronesian labor and expand the productive base of Micronesian economy. It should be a major objective of the economic development program to accomplish this.

The development of a unified economic structure is entirely dependent upon such factors as transportation, communications, availability of utilities, and the health and education of the people, as well as investment capital and a generally favorable administrative climate. It is our wish to create such a favorable climate in the Trust Territory and the proposed program is intended to carry out that wish.

#### Nationality Funds

Section 1 of the bill authorizes the appropriation of necessary funds for two purposes: (1) the necessary expenses connected with the civil administration of the Trust Territory of the Pacific Islands, which may be characterized somewhat imprecisely as the expenses of program operations and maintenance, but which also include the expenses of basic capital improvements; and (2) the funding of a program of necessary capital improvements and public works, which program by the terms of the section would be released specifically to health, education, utilities, highways, transportation facilities, communications, and Government buildings.

A total ceiling of \$172,000,000 is placed upon the capital improvements program although no annual ceiling is placed on the appropriations authorized for civil administration (item (1) above); in lieu of the ceiling heretofore imposed upon annual appropriations for the administration of the Trust Territory, section 1 provides that no appropriation shall be made for any fiscal year beginning on or after July 1, 1967,

until such time as a statement of the capital improvements and public works program and of all other costs for the civil administration of the Trust Territory, proposed for that fiscal year, shall have been submitted to the Committees on Interior and Insular Affairs of the House of Representatives and the Senate, and until such statement has been before the Committees for thirty days.

If enacted, this section will authorize the appropriation of these funds which, after careful consideration, we believe will be required to bring the Trust Territory physical plant to acceptable standards in a reasonable period and which will provide for present and anticipated program requirements for insuring education, health, economic, and political development.

We strongly believe that the capital improvements program we have projected for substantial completion in 1972 is so essential that it ought not to be deferred over a longer period of time. While we strongly recommend for your consideration the program as projected, we at the same time recognize that the period of five years carries with it no magic and that the program could be accomplished in a fewer or a greater number of years--although, in our estimation, not nearly so effectively as to the value, both tangible and intangible, received from the dollars expended.

For example, if the program could be accomplished in one year, we estimate its total cost would be in excess of \$250 million because

of the unwarranted "crash program". If the program were undertaken over a ten-year period, we estimate the cost would probably reach \$10 million.

The "crash" approach would be extremely expensive in terms of mobilizing and importing at premium rates equipment, materials, and manpower with little benefit to the Micronesians in terms of employment, training, or participation in designing and operating the facilities. The longer period would not enable us to overcome the demands imposed by population increases and would involve additional, though largely incalculable costs, such as lost education opportunities, the debilitating effects of preventable, yet unprevented, disease, and resources remaining unused while human subsistence stands at a relatively low level.

The enactment of section 1, and particularly the authorization of the physical improvements program, will do much more than provide merely for an acceptable physical plant in an appropriate number of years. It cannot help but provide an effective training ground for Micronesian labor and be the means of stimulating the total economy of the Trust Territory, thus beneficially multiplying the economic impact of every dollar spent in the local economy.

Insofar as Micronesian labor is concerned, it is the intention of the Government of the Trust Territory to utilize competent local labor to the limit of its availability and to insist upon training

programs whereby those Micronesians who lack requisite skills may acquire them. Thus, it is anticipated that ultimately the major segment of the trained labor force will be Micronesian. There is no reason to suppose, barring unforeseen reverses, that the greatly expanded requirements for operation and maintenance which will be associated with completed elements of the capital improvements program, together with the almost certain collateral development in the private sector, will not provide opportunity for employment for those who are trained in the course of program. That these benefits can be derived from the program is demonstrated by the size and competence of the local labor force which exists today in American Samoa, after a comparable period of major capital improvements.

Section 2 of the bill, if enacted, would convey all right, title, and interest of the United States, if any, in eight named vessels to the Government of the Trust Territory. All of the vessels are presently held by the Trust Territory government and operated (through private contractors) to provide shipping facilities and logistic support within the Trust Territory. The utilization of "quit claim" language in the bill is occasioned by an unresolved question as to the extent of the United States interest, if any, in certain of the vessels.

Even though all of the vessels are operated on Trust Territory registry, the CANTER'S BARGE is a United States-owned vessel under permit to the Trust Territory from the Maritime Commission. Similarly, the PACIFIC



ISLANDER and certain other of the smaller vessels are United States-owned vessels under permit to the Trust Territory from the Department of the Interior. However, the IRON ISLANDER and the MAP ISLANDER were supplied wholly with grant moneys and, presumably, title to these vessels is presently vested in the Government of the Trust Territory. The method of acquisition and source of financing, i.e. use in whole or in part of the proceeds of the sale of other vessels for example, varies as it pertains to the remaining vessels listed in section 2, but gives rise to the question of the extent of United States interest.

Section 2 is proposed as a ratification and regularization of the administrative arrangements, including Trust Territory registry, underlying the Trust Territory "merchant marine," thus insuring the continued exemption of the ships operated by the Government of the Trust Territory from the application of Federal laws applicable to United States-owned, but non-U.S. flag vessels.

Trust Territory registry of the vessels permits the vessels to operate free of requirements which would require unduly burdensome and expensive compliance, as for example, the United States standards as to manning and competency and the United States requirement that 75 percent of a ship's crew be citizens of the United States. Because these requirements need not now be met, the Trust Territory is able to offer Micronesians opportunities for training and advancement aboard its vessels and to operate the vessels at a lesser cost.

Since the Government of the Trust Territory has provided local legislation on this subject, and since the International Labor Organization Convention (No. 53) concerning minimal requirement of professional capacity was declared applicable to the Trust Territory on June 7, 1961, the inapplicability of Federal standards will not result in a void. The Marine Commission has advised that it has no objection to the transfer of title of the SUPER'S MAR.

Section 2 also provides that the vessels named may display the United States flag for identification purposes, but, by so doing, shall not be deemed United States flag vessels or vessels documented under the laws of the United States. This provision merely recognizes that the vessels, while generally flying the Trust Territory flag, might wish or have need to indicate their relationship with the United States, and would permit them to do so, the statute (22 U.S.C. 454) forbidding the use of the United States flag by foreign vessels notwithstanding.

Estimated cost of construction of the proposed hospital and related facilities, including the cost of the land, for the year 1954.

I. Hospital	
A. General Hospital	
(3) 515 beds @ \$35,000	10,675,000
B. Medical Health Center	
(7) 210 beds @ \$35,000	7,350,000
C. Diagnostic Services (75) @ \$30,000	1,500,000
D. Nursing School	600,000
E. Medical Service Vessels 4 @ \$150,000	600,000
F. Medical Housing, 100 units @ \$40,000	2,000,000
	<u>30,175,000</u>

II. Education	
A. Elementary Education	
1. Classroom construction including initial equipment 654 @ \$25,000	20,850,000
2. Auxiliary facilities (teachers quarters, kitchen, sanitary facilities, utilities, etc.)	7,170,000
	<u>28,020,000</u>

B. Secondary Education	
1. Classroom construction incl. initial equipment 355 @ \$35,000	12,425,000
2. Dormitories 29 @ \$41,000	1,189,000
3. Other facilities - teachers quarters, kitchen, multipurpose rooms, shops, labs, etc.	19,300,000
	<u>23,914,000</u>

\* C. Miscellaneous T.V.

\* Until a feasibility study, not under way, is completed we cannot incur possible costs.



TO THE BOARD OF DIRECTORS

TABLE 5. STATE OF CALIFORNIA - GOVERNMENTAL EXPENDITURES

	1977	1978	1979	1980	1981
	\$	\$	\$	\$	\$
<b>I. CAPITAL EXPENDITURES</b>	270,000	299,000	303,000	305,000	368,000
<b>II. JUDICIARY</b>	202,000	221,000	253,000	243,000	263,000
<b>III. REVENUE AND ADMINISTRATION</b>					
A. Community Services					
1. Public Health	2,600,000	4,453,000	5,213,000	7,105,000	7,365,000
2. Education	4,921,000	5,524,000	6,057,000	11,499,000	16,290,000
3. Community Develop. & Social Services	131,000	659,000	1,210,000	1,210,000	1,210,000
4. Low Cost Housing Development	-0-	517,000	590,000	500,000	500,000
Subtotal Community Services	7,652,000	11,153,000	13,670,000	20,314,000	25,865,000
B. Political Services, Public Information	649,000	516,000	599,000	600,000	600,000
C. Resources Development & Management	1,600,000	2,545,000	2,309,000	2,594,000	3,047,000
D. Protection to Persons & Property	490,000	600,000	605,000	601,000	717,000
E. Administration	1,800,000	2,670,000	2,645,000	2,780,000	2,799,000
F. Public Works O. & M., Communication and Transportation	4,000,000	4,000,000	5,137,000	5,144,000	6,000,000
Subtotal Revenue & Admin.	15,552,000	23,015,000	24,415,000	31,570,000	37,220,000
<b>IV. COMMERCIAL &amp; CAPITAL PROGRAMS (Other than Capital Transfers &amp; Incentives)</b>					
A. Agriculture	50,000	300,000	300,000	36,000	-0-
B. Broadcasting & TV	-0-	-0-	110,000	1,000,000	500,000
C. Maritime & Boatbuilding	-0-	50,000	51,000	240,000	104,000
D. Public Library	-0-	15,000	150,000	300,000	300,000
E. Retail	-0-	100,000	100,000	-0-	-0-
Subtotal Comm. & Cap. Progm.	50,000	465,000	611,000	1,776,000	904,000
<b>V. COMMERCIAL AND CAPITAL PROGRAMS (Other than Capital Transfers &amp; Incentives)</b>					
A. Community Services	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
B. Education	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
C. Health	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
D. Public Works O. & M., Communication and Transportation	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
E. Revenue & Administration	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
F. Other	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Subtotal Comm. & Cap. Progm.	6,000,000	6,000,000	6,000,000	6,000,000	6,000,000
<b>VI. COMMERCIAL AND CAPITAL PROGRAMS (Other than Capital Transfers &amp; Incentives)</b>					
A. Agriculture	50,000	300,000	300,000	36,000	-0-
B. Broadcasting & TV	-0-	-0-	110,000	1,000,000	500,000
C. Maritime & Boatbuilding	-0-	50,000	51,000	240,000	104,000
D. Public Library	-0-	15,000	150,000	300,000	300,000
E. Retail	-0-	100,000	100,000	-0-	-0-
Subtotal Comm. & Cap. Progm.	50,000	465,000	611,000	1,776,000	904,000
<b>VII. COMMERCIAL AND CAPITAL PROGRAMS (Other than Capital Transfers &amp; Incentives)</b>					
A. Agriculture	50,000	300,000	300,000	36,000	-0-
B. Broadcasting & TV	-0-	-0-	110,000	1,000,000	500,000
C. Maritime & Boatbuilding	-0-	50,000	51,000	240,000	104,000
D. Public Library	-0-	15,000	150,000	300,000	300,000
E. Retail	-0-	100,000	100,000	-0-	-0-
Subtotal Comm. & Cap. Progm.	50,000	465,000	611,000	1,776,000	904,000

\* 1977 figures are preliminary and subject to change. Figures are in units of "one million dollars".