



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

29/3/66
A. C. T. I.
3/29/66
for action
file 01

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-

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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 (90,000 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 \$28,020,000 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.

Hand 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 \$5,994,000 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, unfettered 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 \$32,042,000 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