

Trust Territory of the Pacific Islands

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DRAFT NOTES
(By Program and Budget Office
About July 5, 1974)

Several meetings held and a number of phone calls made during this period - 2 meetings with Deputy High Commissioner and final with High Commissioner (including Deputy High Commissioner).
7-3-74
7-4-74
7-5-74
7-6-74
7-7-74

There are two severable aspects to the problems posed by the Carpenter letter:

1. Finding the money, which will be dealt with in this paper.
2. Programming the dollars to meet projected power needs. A position paper will be prepared by the Marianas district by Monday afternoon, July 8.

The letter was discussed at a meeting held Wednesday, July 3, with Phillips, Chamberlain, Baldwin and Quinn from Headquarters and Marrow, Sheehan and Tenorio from the district. Several significant programming issues were raised including

1. The power demand is there but the \$4.5 million proposed may be too little or too much to meet the needs.
2. Steam generation has lost some of its advantages since the fuel crisis has pushed up bunker fuel prices faster than diesel oil. Cases were cited where conversions were being made from steam to diesel, especially in plants of a Saipan size.
3. The 30,000 KW power barge, if acquired, would eliminate the need for any crash program to increase capacity. The Marianas hopes to get the barge on a three to five year lease which would allow the district ample time to build up its capacity in an orderly fashion.

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4. The district has received what it considers firm offers to have the system run commercially. One offer includes large capital amounts for capacity expansion, which if accepted, would make this entire exercise redundant. This is the crucial decision to be made.

All these points will be discussed in the district position paper.

If the intent of OMSN is to provide power and not just dollars to the Marianas, i.e., if some flexibility is allowed, then there are a number of alternative ways of funding the proposal, each with its advantages and problems. The Program and Budget Office recommends that the FY 1975 supplemental request rather than the FY 1976

budget be used as a source of funding as it would be much less disruptive to other district plans.

If this alternative was adopted, the money available for Marianas

power would be as follows:

FY 1975 regular budget	\$ 709,000
FY 1975 supplemental request	<u>3,600,000</u>
	\$4,309,000

The Marianas also has programmed \$400,000 in its FY 1976 budget so that the total amount available for power through FY 1976 would be \$4,309,000 + \$400,000 = \$4,709,000 in constant dollars. This is \$900,000 less than has been proposed in the Carpenter letter but may be sufficient to meet the district needs, especially if they elect to use diesel rather than steam generation.

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This alternative could be funded by deferring two of the five ships now proposed for the FY 1975 supplemental.

There are not other projects in the supplemental request which could be deferred. If deferring the ships is not feasible, then the FY 1976 budget would have to be changed under one of the following schemes:

A. On an equal share basis, each district and headquarters would have to reduce its CIP by \$750,000.

B. On a percentage of total CIP basis, the reductions would be as follows:

Marshalls	\$ 932,000
Palau	495,000
Ponape	1,026,000
Truk	711,000
Yap	360,000
Headquarters	<u>976,000</u>
Total	\$4,500,000

C. On a most-likely-candidate basis, the reductions might look

like this:

	<u>Project</u>	<u>Funding</u>
Marshalls	Secondary School	\$ 632,000
Palau	Roads	600,000
Ponape	Roads	750,000
Truk	Water	770,000
Yap	Roads	348,000
Headquarters	Heavy Equipment, etc.	<u>1,400,000</u>
	Total	\$4,500,000

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Problems would be encountered in changing the CIP scheduling at this late date.

The timing of the proposal is critical if either the FY 1975 supplemental or the FY 1976 budget is used as the source of funding.

If the FY 1975 Supplemental is the source then:

1. A project description and a justification is needed immediately in order to prepare for possible ceiling legislation hearings this summer.
2. Final decisions on the feasibility of a commercial operation would be required by say October, in order to be ready for supplemental hearings in November. A decision that late would cause a scramble to get the supplemental changed at Interior and Office of Management and Budget.
3. If ceiling legislation delays the supplemental request until the second go-round in the Spring, the money would not become available until very late in the year and would be hard to obligate.

If the FY 1976 Budget is the source of funding then:

1. Immediate decisions would be required on the allocation scheme and the districts would have to be alerted so they could change their CIP programs.

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2. A project description and justification would have to be prepared within two weeks to be ready for submission of the budget and Congress of Micronesia hearings.
3. Final decisions on the commercial operation would be needed not later than October or so in order to change the budget submission which by that time would be in Office of Management and Budget.

A decision delayed beyond this fall on the commercial operation feasibility would be embarrassing and could require a reprogramming if congressional action was taken on either the 75 supplemental or the 76 budget.

Notes by Quinn, Program Analyst

Phone calls (2-3) with Wayne Thiessen apparently held between say July 3rd - July 8 or 9. I had invited him to the final meeting that was supposed to be held Monday (but delayed to Wednesday) but he left Monday.

He assured me that \$5,400,000 would buy 3 ships and this would significantly upgrade the ability of the fleet to give outer island service.

Three new ships could supposedly outperform 4-5 old ships. Thiessen, understandably favored buying all ships at earliest possible date.

Do not know if Elias was on island or not but I think he was in Hawaii.

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