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STATEMENT OF EDWARD E. JOHNSTON, HIGH COMMISSIONER  
OF THE TRUST TERRITORY OF THE PACIFIC ISLANDS  
BEFORE THE HOUSE COMMITTEE ON TERRITORIAL AND  
INSULAR AFFAIRS

Mr. Chairman:

We appreciate this opportunity to appear here today in support of H.R. 5216 which provides, in section one, for an increase of \$15 million over the \$60 million currently authorized for Fiscal Year 1975, new authority in the amount of \$80 million for FY 76, \$79 million for FY 77 and \$15.1 million for the FY 76-77 transition quarter. Section two of the bill provides authority in the amount of \$1.5 million for assistance to the Mariana Islands District in achieving the commonwealth status it is seeking. It should be noted that the authority proposed in section one, except for the increased authority for FY 75, is proposed to be adjusted in accordance with annual changes recorded in the Gross National Product Implicit Price Deflator in order to maintain the purchasing power of these authorizations at the FY 75 level.

The \$15 million increase in FY 75 authority is urgently needed to cover: (1) sharp increases in prices being experienced over prices on which the FY 75 budget estimates were based, \$5.5 million; (2) the costs of programs and projects required in FY 75 but which could not be included in the current \$60 million authorization, \$8.6 million; and (3) the over-obligation by \$945,000 of funds available in FY 74 for Grant-Operations due to costs incurred on behalf of the Receiver of the Trans-Pacific Line, Inc. (TRANSPAC), primarily to get cargoes to Micronesia which had been stranded when TRANSPAC went into receivership in February, 1974.

The \$5 million increase in FY 76 authority over the increased FY 75 authority of \$75 million is required wholly to support an accelerated capital improvement program which the Secretary of the Interior announced in a January 1974 speech to the people of Micronesia as necessary to provide the basic infrastructure required to develop a sound and self-sufficient economy. The \$1 million decrease in FY 77 authority, as compared to the FY 76 authority of \$80 million, marks the first step downward in reducing operations costs gradually over the next five years so that, when the Trusteeship is terminated, governmental operations costs will have been reduced to a level which the new Government of Micronesia may be better able to support.

The \$15.1 million authority requested for the FY 76-77 transition quarter is essentially one-quarter of the operations portion of the FY 76 authorization plus the usual additional costs incurred in the first quarter of the July-June fiscal year for the education program at the start of the school year and \$478,000 required to support continuing capital improvement program costs.

As indicated earlier, the authorizations proposed in section one, (with the exception of the increased authority for FY 75) are proposed to be adjusted to reflect changes in the purchasing power of the dollar using the Gross National Product Implicit Price Deflator figure reported for September 30, 1974 (which was 172.07) as the base figure and annual changes in that figure as the adjustment factor. By this means, forward planning estimates cast in FY 75 constant dollars can be easily adjusted on a retroactive basis each year for experienced changes in the purchasing power of the dollar.

Mr. Chairman, this completes my summary of the bill before the Committee, but it does not fully express the urgency with which I view the necessity for early action on the bill particularly with regard to the increased authority requested for FY 75. The fact is that our experienced price increases during the current fiscal year have been so sharply higher than the prices on which our FY 75 appropriations were based that we are virtually at the point of having to shut down some operations if relief is not provided. Further, unless the authorization of \$8.1 million requested for the procurement of four interisland ships in the increased FY 75 authority is provided, we will have to continue to struggle along with our present obsolete, unreliable and costly to maintain and operate ships, until it is possible to again program their replacement in a future year capital improvement schedule. With regard to the authorization required to cover the TRANSPAC over-obligation, if this authorization and the relevant funds are not provided, it will be necessary for us to submit a reprogramming request to cover that deficit from committed, but unobligated, June 30, 1974, balances in our Grant-Capital Improvement account which are needed to proceed with FY 74 construction projects.

I most earnestly solicit your favorable consideration of these very urgent requirements, Mr. Chairman, and we are prepared to discuss them in as much detail as the Chairman and the members of the Committee may find useful.