

Working File!
January 30, 1974

MEMORANDUM FOR THE MPSC FILE

SUBJECT: Meeting at Jim Leonard's Office

I met with Jim Leonard and two of his assistants -- Sid and Mary -- today at his office. We discussed the maritime laws and the social security laws. The issue of preparing a justification for funding of the Ad Hoc Committee was not brought up.

Sid is doing an extensive study of the maritime area. It includes a review of the programs of 11 federal agencies. The study will be divided into three sections: (1) agency programs which offer benefits to the Marianas such as loans and studies; (2) policing functions such as Coast Guard safety and inspection services; and (3) regulatory functions such as the FMC and Customs. We discussed these areas and the relationship of his work to the work I have done at some length. In order to assist us in preparing a position paper to be offered soon to the Joint Working Group of Lawyers, Sid will make his first priority an analysis of those issues on which we need an economic input before determining a position on applicability of laws; namely, all of those issues he had in his third section, and some of those in his second section. He will try to get a draft to us within a week or ten days. I agreed to put off any interviews solely on maritime-related matters until the draft is done, so Sid and I can work together.

Jim said he thought it very likely that between Sid's and my research we wouldn't miss any important maritime problem. He said that the most important maritime issues were those which related to the Guan-Saipan trade and the intra-Marianas trade for he did not foresee any direct Saipan to Hawaii or San Francisco trade for some time. With respect to the Guam-Saipan trade, Jim and Sid will analyze existing and prospective trade and shipping to determine if the protection of the coastwise laws is desirable to protect indigenous shipping (meaning Saipan Shipping Co. */) from cheaper foreign shipping

*/ I asked if other companies might be formed to compete against Saipan Shipping. Jim thought not because it is owned by the Marianas largest importer. I mused about the antitrust implications of the tie. Jim said antitrust is another area we should be sure does not apply so as to disrupt the local economy, which apparently is heavily dependent on just a few persons.

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(meaning Japanese ships on the Japan-Guam-Saipan run). Jim's present view is that there will be enough traffic to assure good service on the Guam-Saipan run, and that since this run is the most important to the Marianas, there will be no pressing need to negotiate with the United States to get guarantees of adequate shipping service. He did not think that it would be proper to negotiate for a coastwise shipping laws exemption, or other guarantee of good service, for Guam on the ground that most Marianas trade will be transshipped to and from that port. I agreed. With respect to intra-Marianas trade, Jim and Sid both thought it highly desirable to maintain local control over rates and practices, instead of FMC control. With this I also agreed.

Fishing is also a key area. Jim's present view is that the Marianas will want an exemption from the laws prohibiting foreign ships from landing their catch, and from laws which prohibit foreign ships from fishing in the territorial waters and the contiguous zone (needed so they can catch bait). Jim sees no realistic possibility of a local sea-going fishing industry.

I am to do the following: research Transpac's relationship with the TT now, and the prospects for the way it will be treated after termination (Jim thinks it very likely Transpac will carry the Micronesian, not U.S., flag, because of the importance of its service to the other districts); complete my review of the statutes relating to fishing; prepare a short memorandum on the status of the maritime laws in the Virgin Islands; look into the Longshoreman's and Harbor Workers Act and the Occupational Health and Safety Act.

Mary is working on the Social Security laws. She has prepared a draft of a position paper for the Commission on the applicability of the Social Security laws. It recommends that the Marianas be covered immediately for benefits, but work slowly into paying an allocable share. It will be sent to us for review next week. Mary is also exploring the Federal Unemployment Benefits programs. Her initial view is that the Marianas would be better off not joining it, but a considerable amount of research needs to be done. She is also working on health legislation, where it appears that through proper use of Health Maintenance Organizations and medicaid, the U.S. may pay for half or

more of the health care costs of 80% of the people in the Marianas. Mary has some legal problems with respect to health care, and she will send me a memorandum stating her questions. I am also to confirm that, and find out why, the territories are excluded from the recently passed Supplemental Security Income (SSI) program.


Michael S. Helfer