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# Contract Firm Abuses Cited In Micronesia

By George C. Wilson  
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Investigators have gathered evidence of what Chairman Henry M. Jackson (D-Wash.) of the Senate Interior Committee regards as a pattern of American mismanagement of the Pacific trust territory of Micronesia.

The findings by a team of investigators just returned from the islands will be explored in Senate Interior subcommittee hearings next month.

Federal money is supposed to build schools, roads and water plants for the people of Micronesia, which has been an American trust territory since 1947. But the investigators found that records in the U.S. high commissioner's headquarters on Saipan show cases of contractors' being paid even when they failed to do the work as required.

"It's a hell of a mess out there," Jackson said.

The Micronesia trust territory is scattered over 3 million square miles of the Western Pacific. It is comprised of the Caroline, Marshall and Mariana Islands, except Guam.

Secretary of Interior Rogers C. B. Morton told a reporter that he agrees administrative reform is needed for Micronesia.

As the Ford administration executive technically in charge of administering the trust territory, Morton said, he tried to replace the U.S. commissioner there; Edward E. Johnston, two years ago but

Sen. Hiram L. Fong (R-Hawaii) interceded with President Nixon to keep Johnston on the job.

Other attempts to replace American officials there have been frustrated by job security rules, Morton said.

He added that the Senate evidence might help force a cleanup.

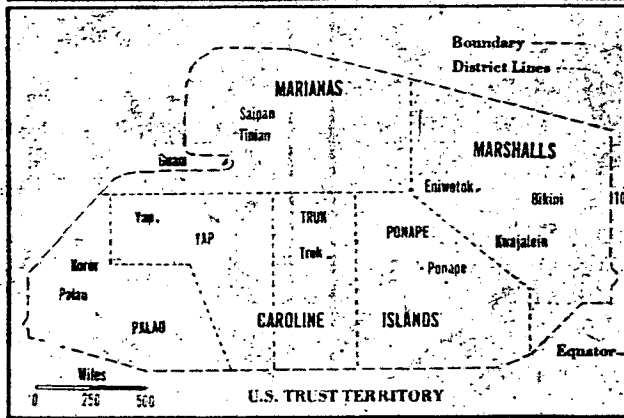
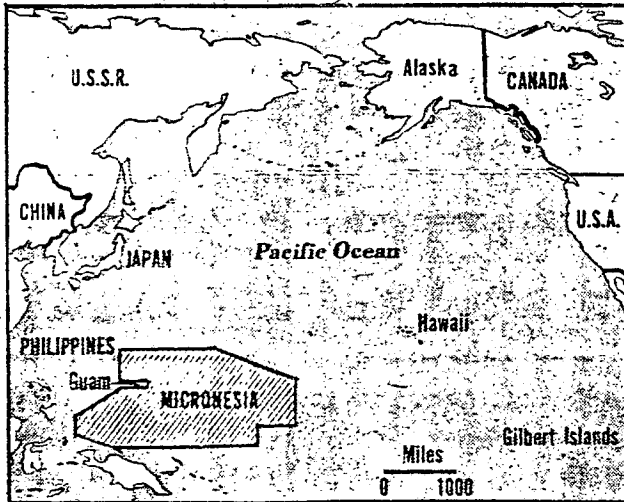
Johnston has said that the Senate investigation of his administration of Micronesia would refute charges that American taxpayers' money has been squandered there.

The Jackson committee probe was inspired by Richard Thorpe, a contractor from Carlsbad, N.M., who told the committee on Sept. 25 that, on the basis of his dealings with American officials in Micronesia, "What they are doing in the trust territory with American money is a scandal . . ."

The investigative team Jackson subsequently sent to Micronesia found one case—which they called representative—involving a Guam contractor, Hanil Development Co. Ltd., which was awarded a \$4.2 million contract to build a hospital on Ponape despite failure to complete earlier contracts.

The Senate committee files include a letter from James R. Wheeler, Johnston's contracting officer in Saipan, warning Hanil:

"All of the projects contracted to Hanil Development Co. Ltd. are behind schedule" and "your lack of performance



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Micronesia trust territory, in western Pacific.

has exhausted our patience and that of every using agent of each project."

Wheeler's letter gave this rundown of Hanil's projects as of Aug. 9, 1974:

- A high school and power plant on Yap scheduled to have been finished in July were only 6 per cent and 9 per cent completed respectively.
- A water and sewer works on Yap were only about half done in July when they were supposed to be in service.
- A high school in Jaluit which was supposed to be ready in August was less than half completed.

Wheeler's letter to Hanil was intended to warn that the Ponape hospital should not fall behind schedule as other projects had. But the Senate committee is interested in why Hanil obtained so many

contracts at all and where the money went.

The U.S. government has been spending \$60 million a year in Micronesia since 1971—much of it for public works. The Ford administration is asking Congress to raise that appropriation to \$75 million for fiscal 1975.

Sen. J. Bennett Johnston Jr. (D-La.) is to chair the Senate Interior subcommittee hearings which will weigh that request and pursue questions raised by the investigation in Micronesia.