

Draft Response To
MASC 12/13 Position
Paper
~~17~~-19
Q 24

TJohnson: 12/13/74

1. Technical Agreement

The MPSC proposes that the Covenant include: A commitment by the Marianas to provide specified amounts (not specified parcels) of land; the method of arriving at price; and the method of acquisition and pay-
the
ment. Section 802 already covers/amounts of land we require and the the means of acquisition. Addition of the other provisions should not present a problem.

It is unclear what the MPSC means when it says the Covenant "should contain all that the United States wants in the way of legal assurances that the land it needs will be made available to it." It appears that Section 802 now does this. But there should be no question that the technical agreement, once approved by the District Legislature, also is to be regarded as binding.

2. Response on Tinian

(a) Land Requirements

The MPSC offers us a choice between (reducing the amount of land we wish to acquire on Tinian by 5,000 acres or (2) providing "meaningful guarantees regarding expanded leasebacks.

(1) Reduction of land needs by 5,000 acres

You do not now have authority to agree to any reduction of acreage on Tinian. The Commission's offer to enforce appropriate restrictive covenants with respect to land which would be required for a future base and to accept our proposed eminent domain provisions in Section 806 in return for such a reduction are attractive and might provide an adequate basis for obtaining a change in your instructions

if necessary. First, however, an effort should be made to obtain these same concessions in return for agreement to the Commission's expanded leaseback alternative.

(2) Increased Leasebacks

Assuming no reduction in our Tinian land requirement, this alternative would call for leaseback of 4,000 to 5,000 acres - presumably the same land the MPSC would like to see dropped from our requirements - at a nominal rate, for at least ten years. The Commission's paper does not discuss what they would view as acceptable conditions and restrictions in these leases. Assuming agreement could be reached on this matter we see no difficulty in your agreeing to the alternative. Of course, any long term lease should provide for cancellation in the event of a national emergency requiring immediate military use of the land.

(b) Compensatory Economic Support

The available record of our discussions of economic support in Rounds II, III, IV does not give a clear picture of what we then considered a justifiable level of U. S. grant assistance if one did take into account the economic impact of the proposed base on Tinian. The attached documents indicate, we criticized the MPSC requests as based on both an inflated view of its needs and a deflated view of its resources, including the economic impact of the base on Tinian and, in particular, the \$14 million in direct tax rebates that we estimated the base would yield once completed (see U. S. presentation of 5/23/73 and Joint Communique of Round III).

In defense of a refusal to increase direct assistance you could point to the additional income to be derived from expanded leasebacks (if appropriate). You might also wish to say something to the effect that the same considerations which required the deferral of our planned base on Tinian make it most unlikely that we could obtain approval from OMB or the Congress for any more money for the Northern Marianas. You might even preface this by telling the Commission that your instructions don't permit you to raise the assistance level.

The Commission will certainly respond that it was only on the basis of the money to come from the base that they agreed to \$13.5 million indirect assistance. They may also point out that the U. S. will be saving/around \$1 million per year (and up to \$4 million later) in revenues that, instead of being rebated to the Marianas, will now go to the U. S. Treasury.

BINDING ARBITRATION

This proposal appears to be attractive and to be similar to a suggestion previously made by you.

There is, however, the question whether the U.S. can agree to submit to arbitration without statutory authorization. Was this problem examined when you made your suggestion? Defense may know whether arbitration is authorized in this area. In any event does your specific authority permit you to acquire the land for whatever an arbitration board may determine? Paragraph 3(c) dealing with the arbitration of legal issues, could create procedural complexities. It would be preferable not to submit such issues to arbitration.

Proposal to waive second fifty year payment on lease, suggests that this amounts to a straight 100 year lease. Trouble with two successive leases is not only double payment but also possibility of imposition of new onerous conditions at time of renewal.