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STATEMENT OF EMMETT M. RICE, ACTING DIRECTOR OF THE OFFICE OF TERRITORIAL AFFAIRS, DEPARTMENT OF THE INTERIOR, BEFORE THE TERRITORIAL AND INSULAR AFFAIRS SUBCOMMITTEE OF THE HOUSE COMMITTEE ON INTERIOR AND INSULAR AFFAIRS, MARCH 24, 1975

Mr. Chairman and Members of the Subcommittee:

I am pleased to have the opportunity today to appear before the Subcommittee on Territorial and Insular Affairs in support of Congressman Steiger's bill H.R. 5216 which embodies the Administration's request for an increase in the current authorization ceiling for the Trust Territory of the Pacific Islands, and for authorizations for fiscal year 1976, the transition quarter, July 1, 1976 to September 30, 1976, and for fiscal year 1977. On February 25, 1975 the Department sent a proposal to the House of Representatives requesting authorization for the Trust Territory in the amounts of \$75 million for fiscal year 1975 (that is, \$15 million in addition to the \$60 million already authorized under Public Law 93-111), and the 1975 constant dollar equivalent of \$80 million for fiscal year 1976, \$15.1 million for the transition quarter, and \$79 million for 1977. Section 2 of our proposal would authorize \$1.5 million for a special program to aid transition of the Mariana Islands District to a new commonwealth status as a territory of the United States.

In our letter transmitting this year's proposed legislation, we stated that our last proposal was drafted to coincide with the period of Stage I of the transition of Micronesia to a new political status. (Stage I now includes 1977 where it did not before.) We therefore are including 1977 in our current proposal. Given the fact that FY 1976 is nearly upon us, the proposal to include one additional year would seem reasonable.

The Trust Territory of the Pacific Islands is administered by the United States pursuant to a strategic trusteeship agreement concluded in 1947 with the Security Council of the United Nations. Governmental responsibilities are carried out through a territorial government which has executive and judicial branches, and a bicameral legislative body composed entirely of Micronesians.

Under the trusteeship agreement, the United States is charged with the promotion of political, social, educational and economic development. Beginning in 1964, with the establishment of the Congress of Micronesia, political development in the Trust Territory has been rapid and, by most accounts, effective. Indeed, the United States has

been engaged since 1969 in continuing negotiations with the Micronesians to determine new political relationships for the area. One major topic of the negotiations is the future financial assistance by the United States to Micronesia.

At this point, we would like to set out the Trust Territory authorizations as presently projected by the administration for the years 1975 through 1980 (These figures are for the period of Micronesia's transition to a new political status).

(In millions of constant 1975 dollars)

Year	Operations	CIP	Total
1975	55	20	75
1976	55	25	80
1977	54	25	79
1978	52	35	87
1979	50	25	75
1980	45	15	60

You will note that moneys for operations peak out in 1975 and 1976 and decline after that. The reason for this is to pass on to the new government of Micronesia an operations budget which it can handle.

We would like to address in some detail the capital improvement program (CIP) since the bulk of the increases are slated for that program.

The bulk of the increased annual authorization would be devoted to the Department's accelerated capital improvement program which the Secretary of the Interior announced in a January 1974 speech to the people of Micronesia. The acceleration of CIP has been proposed despite expansion of Micronesia's capital plant over the past six years, because much remains to be done. The accelerated program is designed for construction of rudimentary physical infrastructure. To the extent possible, we would like to have this physical infrastructure in place within the next few years before the trusteeship gives way to a new political status for Micronesia in order to make economic development more feasible.

The figures presented above were developed to accommodate the Micronesian request that the capital improvement program be stepped up in the last years of the Trusteeship to provide necessary basic infrastructure. The accelerated capital improvement program is intended to give a "big boost"

to the future Government of Micronesia--it is not intended to complete a job which by its nature will never be complete.

The objectives of the capital improvement program in Micronesia have developed and changed from time to time as new needs have been identified and new funds have become available. Planning for public works must be a continually ongoing process to reflect such changing factors as population growth and migration rates, levels of health and education of the people, technological improvement, rising popular expectations, and growing political maturity as well, of course, as economic development in the area involved. Presently the main objective of the capital improvement program is to facilitate balanced economic development including tourism, agriculture and fisheries. A necessary adjunct is the improvement of training and supply systems to facilitate the operation and maintenance of facilities that are now in place or will be in the future.

Identification of the CIP components for achieving the current objectives is not overly difficult in concept. Each district center should have an airport; harbor; dock; roads; modern communication facilities; a safe and dependable water system with storage, treatment, and distribution facilities; a wastewater treatment collection and disposal system; sufficient reliable electric power for government, commercial, and residential purposes; medical facilities; and education facilities. We must have a fleet of dependable inter-island ships.

Capital improvement on outer islands is geared more toward public service than toward economic development in the near term, at least until such services are more widely available than at present.

Government policy must also allow for substantial variation in needs and expectations by each district to accommodate local preferences for varying levels and types of economic development. The Trust Territory decentralized planning effort in which each district is allowed to set its own pace and determine its own priorities affords a maximum opportunity for local choice of which and what level of capital improvements are desired. A project-by-project list for the program has been furnished to the Committee.

We would like to take special note of the 1975 supplemental authorization request of \$15 million for eight top priority items. S. 326 which is before this Committee provides for

\$5,650,000 of these urgent needs. Last week, we were informed by the House Subcommittee on Interior Appropriations that it appears to be too late for that Committee to act on a supplemental request. While taking testimony on the full \$15 million supplemental, the Senate Subcommittee focused on the \$5,650,000 contained in S. 326. We feel very strongly that if our \$15 million request is not acted upon the Micronesian people will be the ones who will have to live with the delay in the CIP program.

Our supplemental request would provide \$500,000 for medical supplies; \$3,500,000 for fuel and supplies for powerplants and inter-island ships; \$1,484,000 for the Yap hospital; and \$166,000 for dispensary matching funds. Our proposal would also authorize \$150,000 to meet a commitment to the Trust Territory Government for vitally necessary planning for a comprehensive and balanced economic development policy for Micronesia. Our proposal also seeks \$200,000 authority to increase the Capitalization of the Architectural and Engineering Revolving Fund in order to cover design costs for certain major construction projects programmed for fiscal years 1976 and 1977. Authority is also necessary in the amount of \$945,000 to cover the deficit incurred in fiscal year 1974 by the receiver of Trans Pacific Lines, Inc. The funds expended allowed the Trust Territory to move millions of dollars of Micronesian cargo to destinations in Micronesia. If the funds requested to cover this deficit are not provided, an equivalent amount of construction funding cannot be restored to the capital improvement program, and the projects for which these funds were committed will have to be delayed.

Finally, and of extremely high priority, \$8,055,000 is urgently needed to procure four new specially-designed inter-island ships to provide reliable and frequent sea transportation service within the Trust Territory. The Trust Territory must presently rely upon obsolete, hazardous, and costly-to-operate ships. Reliable water transport among the widely scattered islands of Micronesia must be assured. The M.S. Micronesia Princess, the prototype on these four new ships, was specially designed for use in the islands of Micronesia. It is presently on an eleven month Trust Territory shakedown cruise. Like any new vehicle, bugs have been found--but they will be taken care of in the contracts for the next four ships. The ship itself is structurally sound and well suited to the needs of Micronesia.

This concludes my formal statement.

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