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MEMORANDUM

To : Ambassador F. Hayden Wilkinson
From : Adrian de Graffenried
Subject : TT Capital, Relocation

This memorandum examines the major issues involved in transferring the TT Capital from Saipan prior to termination of the Trusteeship Agreement. This matter is currently the subject of discussion at the Congress of Micronesia Constitutional Convention. It may also be affected by the scheduled decentralization of TT Headquarters and by the future status negotiations with the Congress of Micronesia. There are 2 basic options - retaining the TT Headquarters at Saipan or moving the TT Headquarters. Current estimates of local Micronesian views indicate support for removal of the TT Headquarters from Saipan upon administrative separation of the NMI from the remainder of the TTPI.

In arriving at a decision on the TT Headquarters site issue, the U.S. should consider, however, how its responsibilities under the Trusteeship Agreement can best be conducted, consistent with sound management practice and consistent with U.S. policy and prior commitments to the COM.

Background.

During the initial period of U.S. Trusteeship for Micronesia, TT Headquarters was located in Hawaii. Guam became the second location. It was subsequently recommended that the U.S. administration of the TT be moved from U.S. soil and located within the TTPI. The most preferred Micronesian site was Truk District because of its central location. The Mariana Islands

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were, however, chosen in the mid-50's.

Existing U.S. Government facilities on Saipan, which were built during the early 1950's when these islands were separately administered by the Navy, offered the attractiveness of drastically reducing construction costs and the infrastructure facilities serving the public were in existence there. Additionally, Saipan's close proximity to Guam weighted in favor of rejecting Truk District.

Current Status.

The Congress of Micronesia began to study relocation of the TT capital from Saipan in early 1970 as an outgrowth of the recognition that Saipan may opt for a political status separate from the other districts. Two sites were recommended by a committee of the Congress of Micronesia - Ponape and Truk. Saipan would be retained only if the Mariana Islands dropped separate status. The Joint Committee on Future Status, without benefit of formal COM guidance, asked for U.S. financial assistance for the new capital. TT planners proposed extensive infrastructure projects, which together with staff housing requirements and related development plans resulted in cost estimates totalling some +\$60 million. During Round Seven, the U.S. agreed to provide up to \$35 million in matching funds for the project. During Rounds 2 and 3, the MPSC expressed concern on the COM proposal for relocation of the TT Headquarters from Saipan fearing loss of jobs for local residents and reduced local revenues available to the Marianas District Legislature. The Marianas retains this concern. The COM Constitutional Convention has determined that it will address the relocation issue as part of its overall review of the political status

negotiations and formation of the Micronesian Government.

Options.

There are 2 options available to the U.S. Government: continue to use Saipan as the TT Headquarters until end of the Trusteeship or relocation of the capital prior to that time.

Discussion.

The proposed DOTA policy to decentralize various TTPI Headquarters functions will call for personnel and office transfer from Saipan to the several districts. However, there will be some remaining staff requirements for Saipan to maintain Governmental infrastructure that cannot or should not be transferred (e.g. communications, computer systems, central supplies, central records, etc.). Decentralization will serve, however, to reinforce Marianas' demands that some U.S. Government action be taken to protect the 500 Marianas residents now working for the TTPI Headquarters, and it will increase local government and business anxieties related to lowered revenues to the Marianas that will result from TT personnel payrolls and related TTPI expenditures to be transferred from the Marianas.

The COM will wish to avoid any dependency^{on}/or any conflict with the NMI after the Marianas obtains its separate status. The COM will therefore wish to press for relocation of the capital at the earliest opportunity. The COM will not be prepared, however, to address the capital relocation issue until the ConCon resolves the central issues on the future Government of Micronesia and makes its own recommendations on a site for the future Government of Micronesia capital.

Insofar as U.S. Government interests are concerned, immediate relocation of the TT Headquarters involves consideration of:

- (1) overall U.S. budget restraints and present budget ceilings for the TTPI;
- (2) nonresolution of the future political status of Micronesia by the COM;
- (3) nonavailability of any alternative sites that are immediately usable (e.g. infrastructure facilities in place, housing in place, etc.);
- (4) the requirement that some readjustment time be made available for the decentralization scheme; and
- (5) the requirement that the NMI continue to draw on TT staff expertise and support and have access to TT governmental infrastructure until the NMI obtain local expertise and has formed its own local government.

Recommendation.

The United States should take no action to relocate the TT Headquarters from Saipan at the present time. Future relocation should be considered only in light of:

- (1) favorable resolution of the future political status negotiations;
- (2) recommendations of the COM ConCon;
- (3) implementation of the NMI Constitution; and
- (4) final adjustment to the proposed DOTA decentralization policy, the absorption of Marianas staff in the TT into the local NMI government and business sectors, and the ability of the NMI to provide services it now requires of the TTPI Headquarters.