

OFFICE OF TRANSITION STUDIES AND PLANNING

NORTHERN MARIANA ISLANDS P.O. BOX 9 SAIPAN, AMERICAN MARIANAS 96950

June 13, 1977

Mr. Edward DLG. Pangelinan
Marianas/Washington LNO
Office of Transition Studies & Planning
1300 Connecticut Ave., N.W.
Suite 307
Washington, D. C. 20036

Dear Ed:

I am sending you a copy of a preliminary prospectus and related correspondence on the proposed oil storage facility for the island of Maug prepared by the I.D.C. International, which firm is represented in Guam by "Bill" Garrison.

Mr. Garrison and Senator Frank Diaz (NMIL) and another associate whose name escaped my memory at this moment visited with me last Friday to discuss their proposal. The general description of the project is discussed in the attached correspondence.

In reviewing the constitution of the NM, it was noted that the Island of Maug is to be preserved for wildlife and protected from any permanent commercialized exploitation. The proposed oil storage facility contemplated by I.D.C. on Maug would involve construction of permanent facilities and several million dollars investment. Frankly, the investment project envisaged by I.D.C. would offer substantial economic benefits to the Marianas, including employment opportunities and seems somewhat attractive.

Because of the constraint imposed by the constitution, it did not seem legally feasible to have the proposed facilities built on Maug. For this reason, the representative of I.D.C. has suggested to me to explore with you and possibly also with Howard Willens whether there is any leeway in the language of the pertinent provision of the constitution which would allow this proposed project to go forward so that the present government can proceed to consider seriously this proposal. I would like to have your thoughts on this. You might also get Howard Willens to comment on this.

Because of the sensitivity of this proposal to the public, I caution you to consider this matter at low key.

Mr. Edward DLG. Pangelinan Page 2 June 13, 1977

On another matter, the IRS consultants who had visited Saipan last month have completed their report. A copy of their report is also enclosed for your reference and file.

With personal regards,

Sincerely,

TALLENS

Pedro A. Tenorio Director

Enclosures

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> W. G. "Bill" GARRISON Vice President & Director Sales Marketing

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PRELIMINARY PROSPECTUS

This is to introduce the proposal of establishing an oil storage facility on the Island of MAUG in the Northern Marianas. It is not the feasibility study, which must await approval and/or lease of said island by the government of the Northern Marianas to the developers.

PROPOSAL

I.D.C. International(Guam) proposes to lease from the government of the Northern Marianas the three islands which make up the group known as MAUG in the extreme northern part of the Marianas chain. I.D.C. intends to have an environmental impact study conducted, depth-charting to update the current chart which was completed before World War II by the Japanese, conduct geological surveys on the land itself, effect engineering and architectural drawings, etc., all leading to the construction of docking and mooring facilities, pumping installations and storage tanks for the off-loading, storing and on-loading of crude oil from the middle east destined for Japan, the United States and its Pacific territories. Live-in quarters are planned for periodic crews who would operate the facility.

JUSTIFICATION FOR SELECTION OF SITE

1. MAUG, which is located approximately 400 miles north of Saipan, and 800 miles south of Tokyo, is about two days sailing time from the major import zones of Yokohama and Osaka, the major destinations of the crude oil.

- Japan is in desparate need of storage facilities for its oil imports. Present storage areas in Japan are limited. It can only keep a three-month supply on hand. A corresponding amount must be kept nearby at all times to sustain Japanese industry. Super-tankers are not permitted in many of the najor ports of Japan. Hence the need to develop foreign, but nearby holding areas. Importers would then haul the oil from the holding area in smaller tankers to the Japanese mainland ports. MAUG is at least two days closer to Japan than Palau.
- 3. MAUG is uninhabited, with no natural resources other than fishing grounds (yet it is beyond the range of fishing boats from Saipan, Tinian and Guam and is at present unpatrolled.) Development of MAUG as a storage port would not disturb the residents of the Northern Marianas or their environment.
- 4. MAUG is actually three islets which form a horseshoe-shaped harbor. With a minimum of land-fill and seawall construction the two shallow entrances could be closed off making a safe-harbor port.

 (In Japanese times, fishing boats and naval vessels were known to seek safety inside the three islets during severe storms.)
- 5. Accidental oil spills could be easily contained within the harbor.

PEOPLE OF NORTHERN MARIANAS

- 1. What is now a barren, useless piece of land miles from anything, would become a useful, income-producing piece of real estate.
- 2. Jobs would be provided for local people particularly those of nearby Pagan and Agrihan, during the construction period and after

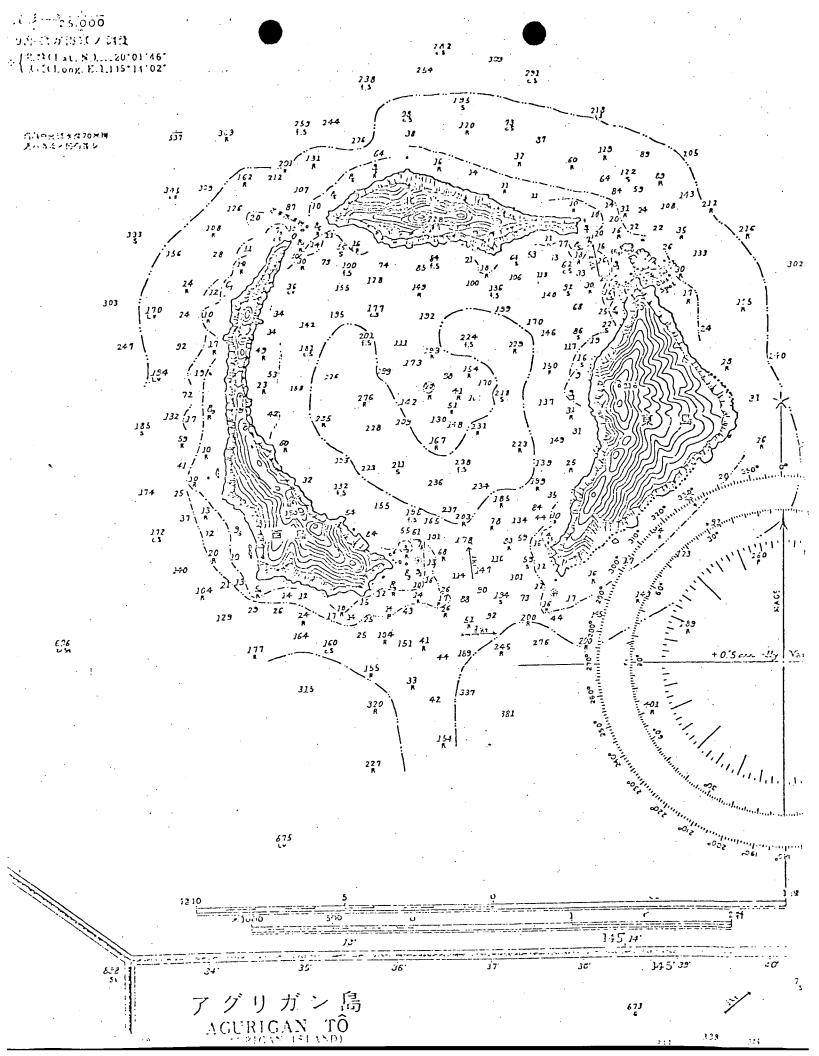
in actual operations. Because of the remoteness and limited size of MAUG, employees would be shuttled back and forth on a 30 days on and 30 days off basis.

- 3. The presence of a viable business facility would increase shipping in that direction and necessitate increased surveillance by the U.S. Navy and Coast Guard. This would tend to open up commerce in the direction of these northern islands of the Commonwealth.
- 4. The government of the Northern Marianas would receive a steady income from fees per barrel of oil handled through the Port of MAUG.

CONCLUSION

It would be to the advantage of the government of the Morthern Marianas to enter into an immediate agreement with I.D.C.

International for the lease of said island so that an official feasibility study can be undertaken and a report returned BEFORE the institution of the Constitution at which time MAUG becomes a permanent fish and wildlife preserve never to be developed or put to use.



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Arabia Office f. n Corran, Est. 5x 1518 Riyadh 309 30054 TEJARYH SJ Dear Frank,

I am sorry I missed you on your last visit to Guama I saw your letter and talked at some length with Art Ralstona Bill Garrison sent me a copy of his letter to you in which he said I would be writing to you. Here goes.

Because of the hush-hush aspects of the Palau Superport dealings and the negative feelings it has generated, I think it best to be as open and above board as possible with the Legislature of the Northern Marianas, the Resident Commissioner and with the people in Washington. However, you cannot go into specifics concerning the project, because we simply do not have the specifics as yet. Your goal should be the deletion of MAUG from Section 2, Article XXVI Or, put another way — the addition of "and MAUG" to the next-to-last sentence after the word Sariguan.

I think the best way to accomplish this would be to gain approval by Marianas Development Commission, then call a special session of the Legislature. Present the proposal as you now have it. Get approval. Then get approval of Resident Commissioner. Send the changed section to Ed Pangelinan in Washington and let him "talk" it in. Up to this point, no one has made a dime or spent any more than postage on this project. There is no front money floating around whatsoever. We'll just have to take the risk that some other interests will take another look at MAUG and attempt to beat us to it. But I don't think anybody could beat us out. GORCO has already turned all the N.M.Islands down. The Palau project is considerably larger and involves many other factors.

After general approval by the Legislature, and the Resident Commissioner, assuming you get both, I would suggest sending the original proposal I sent you, along with the notification of approval by the Legislature and Commissioner with a letter written along the lines of the sample I am enclosing to Ed Pangelinan. All you are really asking is permission to determine for yourselves and the people of the Northern Marianas what is best for the remote islands to the north. Most of the islands

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Ji Arabia Office adan Comm. Est. Box 1518 Riyedh 72309 720054 TEJARYH SJ will by their unique nature remain uninhabited for the rest of time, but some, including MAUG, might have development potential which will far outweigh the loss of some of their wildlife and plant resources. In the final analysis, birds, fish, wildlife and plant resources may not be disturbed at all, but merely relocated on the island itself or to other nearby islands.

So, Frank, good luck and Godspeed in your efforts to turn this thing around to the advantage of all of us, but most of all to the people of the Northern Marianas.

Sincerely,

. Bob Funesti

P.S. Frankly, I was a little skeptical of the potential to turn the inside of MAUG harbor into a wharf facility. But in the Pacific Daily News of Friday, May 6, there was an article about the proposed Ammo Wharf at the tip of Orote Point, Guam. I explored that back in 1972 when the Sella Bay controversy was waxing hot. It had possibilities then and Senator Paul Bordallo saw the possibilities, too. But the cliffs and small shoreline frightened me. Now I read where they will dredge and fill, grade and build a bridge and a wharf large enough to accommodate an aircraft carrier ... and this is very close to the open sea. So, apparently the cliffs are no real obstacle. I now believe it can be done inside MAUG harbor. All we want is the permission to investigate the possibilities and then report back to you with the impact study.

Please send a copy of your (leaders) letter to Ed to I.D.C.I. for our records.

Another way would be if they sent back the Constitution for revision of any item, then you folks could change the items noted above.

Proposed letter to Ed Pangelinan Frank Diaz on behalf of the Legislature of the Northern Marianas

Dear Ed,

If the attached proposal had reached us before the Constitution was drafted and voted upon, I am sure there would be no problem in making the change in Article XIV Section 2, which is the subject of this letter. However, hindsight is often worthless and we have no other course but to admit we never dreamed of the possibilities of development on the island of Maug, and now that this proposal has come to our attention, we want the option of at least being free to have feasibility and environmental impact studies made by the proposers.

If we must follow the Constitution, it means we must wait until the First Northern Marianas Commonwealth Legislature takes office. The Legislature must then approve the amendment and then the voters must ratify it at the next general election. This could bring the date up to November, 1979, before a pencil could even be put to the study. In these energy-conscious times, three years is along, long time, and we could be by passed by progress.

Since the Constitution is now in the U.S. Congress, there exists the possibility of talking to the appropriate members to have them suggest the change on the grounds that the setting aside of Maug is too restrictive. Then it would come back to the Legis-

lature for an amendment in this regard.

Your reasoning with the Congress should follow these lines: 1/ If it is o.k. to substitute another island for Sariguan as a fish and wildlife preserve, why not Maug? 2/ There are other islands which have no harbors or beaches which because of inaccessibility will naturally be uninhabited and wildlife preserves. 3/ Maug is the only island that contains an inner harbor, ideally suited for construction of docks and wharfs. 4/ The development of a harbor facility on Maug would enhance the development possibilities of the entire chain of islands, increase ocean traffic in that direction, extend fishing operations north of Pagan, and provide employment for the peoples of those northern islands. 5/ Pending impact studies, it is not now certain that development of Maug will decimate the bird, fish, wildlife and plant species. (This is a moot question, for what good are plants, birds, wildlife and fish to the people of the Northern Marianas if no one ever sees or eats them, which is certainly the case now. Aside from the Japanese who built and manned the weather station there before the war, I doubt if you can find a Saipanese who has ever set foot on Maug or even saw it from a ship or plane.)

As for the change in Article XIV Section 2, we suggest two methods of accomplishing our aims: 1/ on line 8 delete after Sariguan—another island—and in its place substitute—and Maug, other islands—. 2/ On line 4 delete—The islands of Sariguan and Maug and—. Begin that sentence with —Other islands specified by law shall be maintained as uninhabited places and used only for the preservation of bird, fish, wild—life and plant species. Delete the remainder of the section.

If you can come up with a better method of accomplishing this change, please proceed with all due haste. I can only see opposition from those environmentalists who advised the committee on Natural Resources. But until we get the impact studies, we cannot say for sure whether this will harm the environment and if so, will the economic benefits to the people outweigh the harm it will do. All we are asking now is the right to determine for ourselves the correct course to take. We will welcome your prompt attention to this very pressing matter.

Sincerely yours,

This letter should be signed by at least ten (10) local leaders.

June 6, 1977

Dear Bill:

I received both your letter and Bob's and I apologize for not responding sooner. The reason was that I am in the midst of arranging meetings with several people in regards to our plans.

I met with the Office of Transition and Planning and several other leaders including our groups. I also touched base with several leaders of the two political parties and discussed our plans for the possible change in the Constitution.

I was strongly advise against any action of delaying the approval of the Constitution at this time. Although many of them have favored our plans for the development of Maug. They feel that to recommend any changes in the Constitution at this time would only delay its passage and I feel that we would be blamed for it and anything could turn around to our disadvantage. Both political parties here on the island are requesting for the immediate approval of the Constitution so that preparations for the election in November be made as soon as possible and the anticipated date requested is July 4th to concide with the Liberation Day here, and to recommend changes at this time would only caused problems to us.

During my research of the Section by Section analysis of the Constitution, I found out that Maug is being especially reserved for scientific studies. Enclosed is a copy of the Section by Section analysis of this particular item.

I was advised by the OTSP to check with you whether we do have an option or alternative sites. They recommended Pagan and if it is agreeable to us there will be no problem whatsoever. We have discussed and agreed that should we desire to use Pagan, we can always do it without any problems and we may use it until such time that changes takes place on Maug.

I was assured of this and that we would be given the priority to use Maug as soon as changes is made. My thinking on this is that if no objection we could use Pagan meanwhile we can work on changing the status of Maug.

The legislature may substitute another island for Sariguan if that other island is as well suited for preserving birds, fish, wildlife and plants. The legislature may also designate additional islands as wildlife or other preserves.

Significance. This section provides that places of importance to the culture and traditions of the people of the Northern Mariana Islands and places where significant historical events occurred within the Northern Mariana Islands must be protected and preserved and public access must be maintained. This section does not deprive any owner of private property although the legislature may use the eminent domain power to acquire such places if that is necessary to protect them or to paintain public access.

This section also provides that artifacts and other things of cultural or historical significance must be protected and preserved as provided by the legislature. This section does not deprive any owner of any artifact or thing of cultural or historical significance although the power of eminent domain may be used to acquire such things if that is necessary to preserve them. This section does not give the right of public access to these artifacts and things. A private owner may bar the public.

The legislature is given the responsibility of defining or identifying the places and things to which this section applies.

ARTICLE XV: EDUCATION

Section 1: Education. This section provides for education in the Commonwealth.

activity that would permanently deplete or exhaust the marine resources.

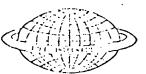
Section 2: Uninhabited Islands. This section requires that the islands of Managaha, Sariguan and Maug be maintained as uninhabited places. This means that no permanent structures can be built and no persons can live on the islands except as necessary for the purposes for which the islands are preserved. The island of Managaha is preserved for cultural and recreational purposes. The islands of Sariguan and Maug are preserved as habitats for birds, fish, wildlife and plants. The legislature may not change the status of Managaha or Maug.

The permanent status given the preserve on Managaha is based on its location close to Saipan and current and past use by the people of Saipan.

The permament status given the preserve on Maug is based on a report to the Resident Commissioner by Sir Peter Scott and Dr. Lyall Matson dated August 13, 1976. The report includes a survey of the botany, ornithology, terrestrial biology, marine biology and ichthyology of the three islands that are collectively known as Maug. The report concludes:

"More than any other island we have seen in the Marianas, it (Maug) merits the designation of Protected Research Area as suggested at the meeting of the International Biological Program held in Koror, Palau in November, 1968. We heartily recommend that such protection continue indefinitely and we urge those in authority to do everything possible to ensure that Maug retains its character and accessibility to scientists."

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Congressman Antonio B. Won Pat House of Representatives 216 Cannon House Office Building Washington, D. C. 20515

Dear Sir:

Bill Carrison and I were desappointed that your time schedule was so tight that you were not able to come to Bill's mid-year New Year's Party last Saturday night. We were in hopes that we could further relate our ideas to you about what Bob Funesti and you discussed.

Bob mentioned that you were concern with the area size of our project. As you know Japan is looking for a ninty (90) supply for oil storage. They presently only have about a fifteen (15) day supply for oil. MAUG will add an additional four days.

Our present guesstimate for MAUG is about 200 acres and should inject about \$15 Million U.S. Dollars into our nieghbor's coffer yearly.

Bill and Bob are meeting with Frank Diaz and the rest of the bays this weekend to further their commitment to us. You helping Ed Pangelinan get the Nothern Marianas Constitution revised to change the part about setting aside MAUG is too restrictive. The Government of the Northern Marianas needs this additional economic injection to add to their coffers. I am sure Dan Inouye, Patsy Mink and Phil Burton will be of great help also. This will shorten the time for implementation instead of having to amend the Constitution once approved.

While thinking of our cousin's needs, we at this office still feel that we can woo over 200 U.S. manufacturers here on Guam with our Big Concept plan that we write about previously. We would have implemented this plan long ago but we did not wish to start until we felt we had enough finances behind us to do a proper job.

Aloha and best regards,

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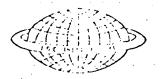
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A. W. Ralston President

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Australia Office Francaction Aus. PTY. 20 St. Kilda Road Melbourne, Victoria 3004 fel. 244-1817 Friex 31604 DAISY AA Japan's present oil requirements are 9--10 Billion barrels per year. Their present oil storage capacity throughout their homeland is approximately a fifteen (15) day supply. They welcome any activity and facility that will increase this need to a ninty (90) day supply or any portion thereof. Japanese experts use a formula of 600,000 tsubus (36 sq.ft.) is required to store 10 Million Kilos of oil. Applying this formula to MAUG, after all civil and structural work is accomplished, we would have an area of approximately Two Hundred (200) Acres or enough to supply twenty nine (29% percent of Japan's daily need of oil or 27 Millions Barrels of Oil.

MAUG would then move about 7,830,000 barrels through its facilities. Based on what the Shetland Islands charge the storage facilities on their land, which is \$0.005¢ per barrel means a daily revenue for the Government of the Northern Marianas of \$39,150.00.

Yearly revenue just from the storage oil facility would then be FOURTEEN MILLION TWO HUNDRED EIGHTY NINE THOUSAND SEVEN HUNDRED U.S. DOLLARS (\$14,289,750.00) not counting any side logistics that will occur due to the CTS.

Of course the above is only an estimate. Once I.D.C. INTER-NATIONAL has a mandate from the Government of the Northern Marianas, we can then pursue a more true feasibility study and research program.

A. W. Palston, President

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