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PROVIDING AUTHORIZATION FOR THE CIVIL GOVERNMENT FOR THE TRUST TERRITORY OF THE PACIFIC ISLANDS

GOVERNMENT

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HEARING

BEFORE THE

COMMITTEE ON

INTERIOR AND INSULAR AFFAIRS

UNITED STATES SENATE

NINETY-FOURTH CONGRESS

FIRST SESSION

ON

H.R. 7688

AN ACT TO AMEND SECTION 2 OF THE ACT OF JUNE 30, 1954, PROVIDING FOR THE CONTINUANCE OF CIVIL GOVERNMENT FOR THE TRUST TERRITORY OF THE PACIFIC ISLANDS

JULY 23, 1975



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(II)

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PROVIDING AUTHORIZATION FOR THE CIVIL GOVERNMENT FOR THE TRUST TERRITORY OF THE PACIFIC ISLANDS

WEDNESDAY, JULY 23, 1975

U.S. SENATE,
COMMITTEE ON INTERIOR AND INSULAR AFFAIRS,
Washington, D.C.

The committee met, pursuant to notice, in room 3110, Dirksen Office Building, at 10 a.m., Hon. J. Bennett Johnston presiding.

Present: Senators Johnston, Hatfield, and McClure.

Also present: James P. Beirne, counsel.

OPENING STATEMENT OF HON. J. BENNETT JOHNSTON, A U.S. SENATOR FROM THE STATE OF LOUISIANA

Senator JOHNSTON. The hearing will come to order. This is the time which has been duly noticed for an open hearing before the Committee on Interior and Insular Affairs on H.R. 7688, legislation to provide for the continuance of civil government for the Trust Territory of the Pacific Islands. This legislation, as approved by the House, would provide \$80 million for fiscal years 1976 and 1977, \$15.1 million for the fiscal year transition period, \$8 million for construction of a community college, and not to exceed \$10 million to offset any reductions in Federal grant-in-aid programs.

Copies of the legislation and the House report will be made a part of the record at this point.

[The bill and report referred to follow:]

(1)

94TH CONGRESS
1ST SESSION

H. R. 7688

IN THE SENATE OF THE UNITED STATES

JUNE 17 (legislative day, JUNE 6), 1975

Read twice and referred to the Committee on Interior and Insular Affairs

AN ACT

To amend section 2 of the Act of June 30, 1954, providing for the continuance of civil government for the Trust Territory of the Pacific Islands.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*
3 That section 2 of the Act of June 30, 1954 (68 Stat. 330),
4 is amended by deleting "plus such sums as are necessary, but
5 not to exceed \$10,000,000, for each of such fiscal years, to
6 offset reductions in, or the termination of, Federal grant-
7 in-aid programs or other funds made available to the Trust
8 Territory of the Pacific Islands by other Federal agencies",
9 and inserting in lieu thereof the following: "for fiscal year
10 1976, \$80,000,000; for the period beginning July 1, 1976,

1 and ending September 30, 1976, \$15,100,000; for fiscal
2 year 1977, \$80,000,000; and such amounts as were author-
3 ized but not appropriated for fiscal year 1975, and up to but
4 not to exceed \$8,000,000 for the construction of such build-
5 ings as are required for a four-year college to serve the
6 Micronesian community, plus such sums as are necessary,
7 but not to exceed \$10,000,000, for each of such fiscal years,
8 or periods, to offset reductions in, or the termination of,
9 Federal grant-in-aid programs or other funds made available
10 to the Trust Territory of the Pacific Islands by other Federal
11 agencies, which amounts for each such fiscal year or other
12 period shall be adjusted upward or downward and presented
13 to the Congress in the budget document for the next suc-
14 ceeding fiscal year as a supplemental budget request for the
15 current fiscal year, to offset changes in the purchasing power
16 of the United States dollar by multiplying such amounts by
17 the Gross National Product Implicit Price Deflator for the
18 third quarter of the calendar year numerically preceding the
19 fiscal year or other period for which such supplemental ap-

- 1 appropriations are made, and dividing the resulting product by
- 2 the Gross National Product Implicit Price Deflator for the
3. third quarter of the calendar year 1974,".

Passed the House of Representatives June 16, 1975.

Attest:

W. PAT JENNINGS,

Clerk.

AMENDING SECTION 2 OF THE ACT OF JUNE 30, 1954, PROVIDING FOR
THE CONTINUANCE OF CIVIL GOVERNMENT FOR THE TRUST TER-
RITORY OF THE PACIFIC ISLANDS

JUNE 13, 1975.—Committed to the Committee of the Whole House on the
State of the Union and ordered to be printed

Mr. HALEY, from the Committee on Interior and Insular Affairs,
submitted the following

REPORT

[To accompany H.R. 7688]

The Committee on Interior and Insular Affairs, to whom was referred the bill (H.R. 7688) to amend section 2 of the Act of June 30, 1954, providing for the continuance of civil government for the Trust Territory of the Pacific Islands, having considered the same, report favorably thereon without amendment and recommend that the bill do pass.

The Committee on Interior and Insular Affairs, to whom was referred the bill (H.R. 7688), To amend section 2 of the Act of June 30, 1954, as amended, providing for the continuance of civil government for the Trust Territory of the Pacific Islands, having considered the same, report favorably thereon and recommend that the bill do pass.

PURPOSE

The purpose of H.R. 7688, as reported by the Committee on Interior and Insular Affairs, is to authorize appropriations for fiscal years 1976 and 1977, for the period of July 1, 1976 to September 30, 1976 for the transition to the new fiscal year period, and for other purposes.

BACKGROUND

In an executive communication to the Speaker, dated February 26, 1975, which is included in this report, the Department of the Interior recommended the enactment of legislation for the purpose described above.

The Department requested that appropriations of \$80,000,000 and \$79,000,000 be authorized for 1976 and 1977.

H.R. 7688 provides for: ceilings of \$80,000,000 for both years; an authorization of \$15,100,000 for the period of July 1, 1976 to Septem-

ber 30, 1976 for the transition to the new fiscal year period; such amounts as were authorized but not appropriated for fiscal year 1975; up to but not to exceed \$8,000,000 for the construction of such buildings as are required for a four-year college to serve the Micronesian community; and the continuation of an authorization up to but not to exceed \$10,000,000 to offset reductions in, or the termination of, Federal grant-in-aid programs. H.R. 7688 also contains, as requested by the Administration, a formula by which the authorized amounts may be adjusted upward or downward to reflect changes in the value of the United States dollar.

NEED

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 January 1974. The accelerated capital improvements program has been agreed to because, despite a great expansion of Micronesia's capital plant over the past six years, much remains to be done. The accelerated program is designed for construction of such rudimentary physical infrastructure as will be necessary for a sound and self-sufficient economy. To the extent possible, it is desirable 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 self-sufficiency a more feasible goal when the trusteeship ends.

This policy coincides with the concern over the economy expressed by Members of the Congress of Micronesia who cite roads, airports, and shipping facilities as high priority items. Construction or improvement of these and other facilities is vital to education, health, commerce, and even the most simple operations of government and private enterprise in the Trust Territory. Their importance is underlined by the fact that Micronesia's 115,000 population is scattered across 3,000,000 square miles of ocean. The proposed program will reflect a policy of holding down the cost of governmental operations in order that maximum funding may be devoted to important capital improvements projects.

As stated above, the authorization for the three month period in 1976 is required to make the adjustment to the new budget fiscal year.

Re-authorizing amounts which were authorized for fiscal year 1975 but not appropriated, will make it possible for the Department of the Interior to request the replacement of up to approximately \$7,000,000 in appropriations which were cut from an authorized increase of \$15,000,000. This money was requested to offset the drastic increases experienced by the Trust Territory in the cost of oil fuel products and to start up the construction of ships to provide essential shipping services between the Districts of the Territory and to the outer islands.

At the present time, over 1,000 post-secondary Micronesian students attend college in Guam and the United States at a total annual cost of \$3,000,000. It is estimated that by the year 2000, Micronesia will have a need for over 500 college graduates per year. The growth in elementary and secondary school enrollment will require at least 200 additional teachers. For these reasons, as a beginning to meeting this

need, the Subcommittee approved an amendment authorizing up to but not to exceed \$8,000,000 for the establishment and construction of a campus for a four-year college to serve Micronesia, as based on a study of the justification, need, program and master plan for a community college of Micronesia, submitted to the Subcommittee by Representative Ray Setik, Chairman, Joint Committee on Program and Budget Planning, Congress of Micronesia. A copy of Congressman Setik's letter and a synopsis of the master plan is included in this report.

The Committee emphasizes the need for complete and thorough pre-planning for the establishment of an institution of this type. Reference is made to not only the planning of the physical plant, but even more to the planning of the role and purposes of the college and of the curriculum by which the agreed-upon purposes are proposed to be carried out. The Committee suggests that the concept of the community college be given careful consideration, as well as the appropriate roles and composition of the academic and vocational curricula within the context of the community college concept. Attention should be given to the potential of adult education programs, including such techniques as correspondence courses.

It is asked that the Committee be informed of the planning and conclusions arrived at concerning these matters, as well as the plans for the physical plant. Attention is called to the fact that this bill authorizes "up to but not to exceed \$8,000,000" for these purposes.

The formula by which the authorized amounts would be adjusted upward or downward to offset changes in the purchasing power of the dollar as measured by the Gross National Product Implicit Price Deflator, is required to meet the terms of agreements reached by the Administration in the current political status negotiations.

COST AND BUDGET ACT COMPLIANCE

Enactment of the bill will increase the fiscal years 1976 and 1977 authorizations by \$5,000,000 each year over the existing levels of authorization. A one-time authorization of \$8,000,000 is also provided for. Other provisions of the bill do not increase previous authorization levels.

Projections for future years, including the five subsequent fiscal years, will probably be in the same range; however, in any event, the Congress will have an opportunity to consider those funding levels at a later time.

INFLATIONARY IMPACT

The expenditures authorized in H.R. 7688 involve necessary governmental activities and programs in remote areas. It is the sense of the Committee that these outlays will not result in any significant inflationary impact.

OVERSIGHT STATEMENT

Pursuant to Rule X, clause 2(b) (1) the Subcommittee on Territorial and Insular Affairs continues to exercise oversight responsibilities in connection with territorial legislation. No recommendations were submitted to the Committee pursuant to Rule X, clause 2(b) (2).

COMMITTEE RECOMMENDATION

The Committee on Interior and Insular Affairs recommends, by voice vote, the enactment of H.R. 7688.

EXECUTIVE RECOMMENDATION

The Executive Communication from the Department of the Interior recommending this legislation follows, together with a communication from the Joint Committee on Program and Budget Planning of the Congress of Micronesia, dated February 6, 1975:

U.S. DEPARTMENT OF THE INTERIOR,
OFFICE OF THE SECRETARY,
Washington, D.C., February 26, 1975.

HON. CARL B. ALBERT,
Speaker of the House of Representatives,
Washington, D.C.

DEAR MR. SPEAKER: Enclosed is a proposed bill "To amend section 2 of the Act of June 30, 1954 as amended, providing for the continuance of civil government for the Trust Territory of the Pacific Islands."

Late in the 93rd Congress legislation was introduced and hearings were held on the Administration's proposal to authorize appropriations for the continuance of the civil government of the Trust Territory for fiscal year 1975 and 1976. The reason for the two year proposal was that it would coincide with Stage I of the transition of Micronesia to a new political status. Since that legislation was introduced, negotiations with the Congress of Micronesia's Joint Committee on Future Status have experienced some delay. It now appears that Stage I of the transition will also include fiscal year 1977. The attached Departmental proposal has been amended to reflect that change in schedule by including fiscal year 1977. In addition, authorizations have been included for the transition quarter between fiscal year 1976 and fiscal year 1977. This transition quarter will cover July 1, 1976 through September 30, 1976. We recommend new consideration of the proposed bill and strongly urge that it be enacted.

Public Law 93-111 currently authorizes the appropriation of \$60 million for fiscal year 1975. Our proposed bill would authorize a total annual appropriation of \$75 million for fiscal years 1975, and the 1975 constant dollar equivalent of \$80 million for 1976, \$15.1 million for the transition quarter and \$79 million for 1977. Section 2 of our proposed bill 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.

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 develop-

ment. 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.

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 accelerated capital improvements program has been agreed to because, despite a great expansion of Micronesia's capital plant over the past six years, much remains to be done. The accelerated program is designed for construction of such rudimentary physical infrastructure as will be necessary for a sound and self-sufficient economy. 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 self-sufficiency a more feasible goal when the trusteeship ends.

This policy dovetails with concern over the economy expressed by members of the Congress of Micronesia who cite roads, airports, and shipping facilities as high priority items. Construction or improvement of these and other facilities is vital to education, health, commerce, and even the most simple operations of government and private enterprise in the Trust Territory. Their importance is underlined by the fact that Micronesia's 115,000 population is scattered across 3,000,000 square miles of ocean. The proposed program will reflect a policy of holding down the cost of governmental operations in order that maximum funding may be devoted to important capital improvement projects. The on-going Trust Territory Government program of replacing U.S. personnel with qualified Micronesians will remain an integral part of policy in Micronesia. Future requests for appropriations will also seek to continue the fledgling program for education in self-government and on-going programs in the fields of health and education. In addition, we look for improvement in communications and transportation among the 2100 islands of Micronesia.

The bill provides an authorization of \$80,000,000 for 1976, \$15,100,000 for the transition quarter and \$79,000,000 for 1977 plus or minus such amounts as will offset changes in the purchasing power of the U.S. dollar measured by the Gross National Product Implicit Price Deflator. This last provision is necessary for implementing an agreement reached in the negotiations. The selection of the GNP Implicit Price Deflator as the appropriate index is based on the need to have as broad and objective an indicator as possible of the changes in the purchasing power of the U.S. dollar.

Our proposal for an expended authorization would make unnecessary the existing authorization of \$10,000,000 for terminated categorical grant programs past its present expiration date at the end of fiscal year 1975. We note that in fiscal year 1975 only \$700,000 were appropriated to cover such terminated grants.

Section 2 of the proposed legislation relates to the negotiations between the United States and the Marianas Political Status Commis-

sion which will lead to a new Commonwealth status as a territory of the United States for the Marianas Islands District. The U.S. Congress has final approval authority over these negotiations. Section 2 would authorize the appropriation of \$1,500,000 for a special program of transition in the Marianas which will include, among other things, a constitutional convention and referendum, a political status plebiscite, political education programs and economic, fiscal and physical planning studies. The need for these funds is quite urgent since the agreement was signed on February 15, 1975. The transition period is scheduled to begin as soon as the political status agreement is approved by the people of the Northern Marianas in a plebiscite tentatively scheduled for June, 1975.

The proposed increases in authorization are endorsed by Ambassador Franklin Haydn Williams, the President's Personal Representative for Micronesian Status Negotiations. The proposal in section 1 is deemed vital to our negotiating efforts since it reflects the tentative agreements reached with the Congress of Micronesia's Joint Committee on Future Status at Carmel, California, in March 1974. Section 2 supports the agreement on a Marianas transition program reached in Saipan in May 1974 during the Fourth round of Marianas political status negotiations.

The Office of Management and Budget has advised that the presentation of this proposed legislation is in accord with the program of the President.

Sincerely yours,

ROYSTON C. HUGHES,
Assistant Secretary of the Interior.

Enclosure.

CONGRESS OF MICRONESIA,
JOINT COMMITTEE ON PROGRAM AND BUDGET PLANNING,
Saipan, Mariana Islands, February 6, 1975.

HON. PHILLIP BURTON,
Chairman, Subcommittee on Territorial and Insular Affairs, House of Representatives, Congress of the United States, Washington, D.C.

DEAR MR. BURTON: A situation has arisen in Micronesia which I would like to bring directly to your attention. As Micronesia develops towards self-government, an institution of higher learning will play a significant part in that development process. At the present time, the Community College of Micronesia is the only institution of higher learning in Micronesia.

Due to budgetary constraints, the Trust Territory Government has been unable to include a campus for this institution from any existing or planned budget. I do feel, however, that the establishment of the planned site for this college is a fundamental way the United States can assist Micronesia in achieving the goals set forth under the Trusteeship Agreement. At the present time, the facilities being used by the Community College are a disgrace.

The amount of money needed to build the college is \$8,225,248. The Congress of Micronesia would certainly fund this construction program if its revenue were even close to adequate for this large a project. However, with Congress revenue at about \$5 million per year, the

Congress of Micronesia can hardly consider this type of project. I would like, therefore, to ask you to consider making a special appropriation outside of our regular ceiling to build this college for the people of Micronesia. The amount of the money may not seem large to you. The importance of this program to us, however, cannot be overestimated.

I hope that the Representatives of the Congress of Micronesia can meet with you concerning our request for this special appropriation when they are in Washington in March.

Enclosed are two attachments which explain this proposed program. If the United States can help us establish this most important institution in Micronesia, I am sure the Congress of Micronesia will support this program to the greatest extent possible. As you know, having a free society is in part based on having well educated and informed people. The Community College of Micronesia would not only provide Micronesians with a higher education, but would also train teachers so that they can in turn provide a better education to the rest of our people. I would like to stress again that the Community College of Micronesia is the only institution of higher learning in Micronesia.

Thank you for your assistance in this matter.

Sincerely yours,

RAYMOND SETIK,

*Chairman, Joint Committee on Program and Budget Planning,
Congress of Micronesia.*

Attachments.

SYNOPSIS OF JUSTIFICATION OF NEED, PROGRAM AND MASTER PLAN FOR THE
COMMUNITY COLLEGE OF MICRONESIA

Preface (pp. 1-3):

Micronesia's future status must contain provisions adequate to the minimal needs of Micronesia and her people. One of these needs is a viable institution of higher education. Decent, adequate facilities for the Community College of Micronesia must be provided in the immediate future. (Director of Education.)

Justification of need for an expended community college of Micronesia (pp. 5-8)

Elementary and secondary school enrollment will triple by the year 2000. By that time two hundred new teachers will be needed each year.

By the year 2000 there will be a need for over 500 graduates a year in professional and clerical fields.

Presently some \$3,000,000 leaves the Trust Territory annually to support Micronesians studying higher education abroad.

Perspective on Micronesian higher education (pp. 8-9)

CCM traces its roots to the Pacific Islands Teacher Training School founded by the Navy in 1947. This became Pacific Islands Central School in 1952. Micronesia Teacher Education Center supplanted PICS in 1962. CCM came into existence in 1970. It is one of the two post secondary schools in the T.T., the other being the Micronesian Occupational Center in Koror, Palau.

Most post-secondary education (70%) is now pursued outside the T.T.

Education and business continue to be the fields of predominant interest for T.T. students in post-secondary education.

Recent statements on education in Micronesia describe three general needs relevant to the function of a community college (pp. 10-11):

A need exists to equip Micronesians to deal with impending cultural, economic, and political changes, and to lay the groundwork for political independence;

A need exists to train Micronesians for local employment; and

A need exists to strengthen the educational system in order to encourage economic growth.

Educational demands for teacher training (pp. 11-17)

Providing large numbers of people with quality elementary and secondary education is critical to the achievement of Micronesian objectives. Teacher training is a particularly efficient means of using the resources of the Trust Territory.

The present public elementary and secondary school enrollment of 31,000 is projected to increase to over 100,000 by the year 2000. Unless there is an institution of higher education within the T.T., it will be impossible to demand higher certification standards of our teachers.

Educational demand for business and professional training (pp. 18-26)

Growth in the hotel business, and in retail and service industries will increase demand for workers with business and professional skills far above the present levels.

The need for a Micronesian Community College (pp. 27-30)

Only a school based in Micronesia has the awareness and freedom to adapt its curriculum and services to meet the unique needs of Micronesia. (p. 7.)

The cost of supporting one student for one year at the University of Hawaii is about \$3,500. The cost at an expanded CCM would be about \$2,300. (p. 92.)

"Culture shock" is a real experience for most Micronesians going away to school outside the Territory. It is also a shock for them to return to the Territory from a stateside experience. This would be avoided through education in Micronesia.

A Community College of Micronesia could respond quickly to the demands of the community for services.

The Community College of Micronesia is in a unique position to offer its students an awareness of the problems, the needs, and the potential of Micronesia and her people.

The Community College of Micronesia could be the focal point of a truly Micronesian system of higher education with incorporation of the Nursing School, the Micronesian Occupational Center, and with campuses in each of the other districts.

The Community College of Micronesia could provide a meaningful program of studies for the adult population of the Territory.

As a wholly Micronesian institution, CCM would attract large numbers of Micronesia's most able and ambitious students, a situation which would strengthen Micronesia as a politically viable unit.

Expansion of curriculum at an expanded CCM (pp. 31-34)

A recent in-depth study of the present CCM indicated seven possible areas of curriculum expansion and development:

- (1) Teacher Training.
- (2) Business and Middle Level Management.
- (3) Tourist Support Services.
- (4) College Transfer Program.
- (5) Short Term Training in:
 - school supervision;
 - secondary teacher training;
 - management training;
 - surveying and mapping;
 - bookkeeping and accounting;
 - clerical and secretarial training;
 - mechanics; and
 - librarian training.
- (6) Liberal Arts.
- (7) Micronesian Cultures.

Proposed new campus for the Community College of Micronesia (pp. 35-80)

The new campus is designed for 400 students. Every year about 350 students apply for the present limited program. The more students accepted, the less cost per student. (p. 35.)

An increase of staff from the present 44 to 72 will be needed. (pp. 36-37.)

A total of at least 23 teaching stations would be included in the new facility. (pp. 37-38.)

At least 21 staff housing units will have to be provided. (p. 53.)

B.E.O.G. Federal grants would go a long way toward paying off dormitory costs in a few years. (pp. 54-55.)

Building costs might be decreased by building the new Palikir High School at the same time. (p. 56.)

The terrain at Palikir lends itself to the anticipated construction with a minimum of grading. There is good drainage. (p. 57.)

The Ponape Islands Master Plan calls for extensive urban development in the Palikir area. (p. 61.)

Water is available from streams bordering the site. (pp. 61-63.)

Ponape Department of Public Works plans to have completed by 1975 the necessary power lines to supply the Palikir area with 2-3 megawatts. (p. 64.)

The concept of the new campus is that of an educational village with each of the buildings enjoying a view of the sea or the mountains. (pp. 75-77.)

*Budget estimates (pp. 81-92)**Summary (p. 90)*

Construction (building and on-site improvements) -----	\$7,182,304
Furnishing, fixtures, equipment -----	468,000
Architects/engineering fees -----	574,944
 Total -----	 8,225,248

(Estimated operational costs per year: \$910,200.)

Analysis of Increased Operational Efficiency (pp. 91-92)

Total operating costs would double at the new campus. Enrollment would increase by 2 and 2/3. Cost per student would decrease by 1/3. Learning, teaching, and living conditions would be immeasurably improved.

Technical materials for this master plan (pp. 93-100)

Explanation of supportive materials used in the report.

CHANGES IN EXISTING LAW

In compliance with clause 3 of Rule XIII of the Rules of the House of Representatives, changes in existing law made by the bill, as reported, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in *italic*, existing law in which no change is proposed is shown in roman):

ACT OF JUNE 30, 1954 (68 STAT. 330), AS AMENDED

* * * * * * *

SEC. 2. There are authorized to be appropriated not to exceed \$25,000,000 for fiscal year 1967, for fiscal year 1975, \$75,000,000 [plus such sums as are necessary, but not to exceed \$10,000,000, for each of such fiscal years, to offset reductions in, or the termination of, Federal grant-in-aid programs or other funds made available to the Trust Territory of the Pacific Islands by other Federal agencies] *for fiscal year 1976, \$80,000,000; for the period beginning July 1, 1976, and ending September 30, 1976, \$15,100,000; for fiscal year 1977, \$80,000,000; and such amounts as were authorized but not appropriated for fiscal year 1975, and up to but not to exceed \$8,000,000 for the construction of such buildings as are required for a four-year college to serve the Micronesian community, plus such sums as are necessary, but not to exceed \$10,000,000, for each of such fiscal years, or periods, to offset reductions in, or the termination of, Federal grant-in-aid programs or other funds made available to the Trust Territory of the Pacific Islands by other Federal agencies, which amounts for each such fiscal year or other period shall be adjusted upward or downward and presented to the Congress in the budget document for the next succeeding fiscal year as a supplemental budget request for the current fiscal year, to offset changes in the purchasing power of the United States dollar by multiplying such amounts by the Gross National Product Implicit Price Deflator for the third quarter of the calendar year numerically preceding the fiscal year or other period for which such supplemental appropriations are made, and dividing the resulting product by the Gross National Product Implicit Price Deflator for the third quarter of the calendar year 1974, to remain available until expended, to carry out the provisions of this Act and to provide for a program of necessary capital improvements and public works related to health, education, utilities, highways, transportation facilities, communications, and public buildings: Provided, That except for funds appropriated for the activities of the Peace Corps no funds appropriated by any Act shall be used for administration of the Trust Territory of the Pacific Islands except as may be specifically authorized by law.*

Senator JOHNSTON. We would like to start the hearing this morning with Mr. Emmett Rice, Staff Assistant, for Micronesian Affairs of the Department of the Interior, accompanied by Mr. Peter Coleman, the Deputy High Commissioner.

I advise you gentlemen this morning, as well as all other witnesses present, that all statements will be entered in the record in full, and we would prefer, but not insist, that you summarize your statements.

STATEMENT OF EMMETT RICE, STAFF ASSISTANT FOR MICRONESIAN AFFAIRS, ACCOMPANIED BY PETER COLEMAN, DEPUTY HIGH COMMISSIONER; W. STEPHEN SANDER, STAFF ATTORNEY; HON. PEDRO TENORIO, SENATOR, CONGRESS OF MICRONESIA

Mr. RICE. Thank you, Mr. Chairman. It was my intent to summarize my statement. The full written statement has been offered into the record.

First, with your indulgence, I would like to make a few preliminary remarks. First, I am very happy to be able to announce to you that a new Director of Territorial Affairs has been appointed since our last hearings earlier this year. Mr. Fred M. Zeder has been appointed.

I am also pleased to report that his first official act was to leave for the trust territory on an extended tour. Mr. Zeder is currently still there. From preliminary reports I have received back from him, he is looking extensively into contract procedures, financial management systems, inventories, and as a matter of fact, into a substantial number of the concerns of this committee.

I would anticipate surely, upon his return, he will be making a full report to the committee on the measures he is implementing to take care of some of the concerns of the committee.

Senator JOHNSTON. We would like to invite him to meet with our staff people, Jim Beirne and Dan Dreyfus, particularly Dan, who has been out there. We would like to extend that invitation to him.

Mr. RICE. I am also pleased to announce Mr. Zeder and I have consulted with Mr. Dreyfus and Mr. Beirne of your staff, and we are following a great deal of the advice given to us by Mr. Dreyfus.

Next, I would like to introduce some of the persons present for the committee. To my right is Mr. Peter Coleman, Deputy High Commissioner of the trust territory. To my left, Mr. Stephen Sander, Office of Territorial Affairs; and to his left, Mr. Bill Quinn, program analyst of the trust territory.

We also have some other guests here today. I would ask them to stand as their names are called so you will know who they are. We have Senator Amata Kabua, Congress of Micronesia; Congressman Raymond Setik; and Senator Bailey Olter.

Senator JOHNSTON. I am glad to see some of our old friends are back for this hearing.

Mr. RICE. I would also advise the committee, Mr. Chairman, there has been some difficulty with the interisland ships. Mr. Coleman is prepared to discuss this matter with you and may respond to any questions you may have.

It appears, due to certain inflationary trends, prices, increases, and acceleration in the Japanese shipyards, it may not be possible to follow

the original scenario laid out for you previously relative to inter-island ships. The trust territory is taking a hard look at this. Studies are being conducted. It may be necessary to make some changes in the original plans and number of ships. Before any contracts are let, the committee will certainly be notified and acquiescence of the committee will be taken into account. And Mr. Coleman will answer any questions on this issue.

We are pleased to appear today before the committee relative to H.R. 7688. The bill authorizes, as you have previously stated, \$80 million for fiscal year 1976, \$15.1 million for the transition quarter, \$80 million for fiscal year 1977, and \$6,950,000 authorized for 1975, but not appropriated, plus \$8 million for a 4-year college, plus an additional \$10 million to offset reductions in or termination of Federal grant-in-aid programs or other funds made available to the trust territory by other Federal agencies. These amounts will be adjusted upwards or downwards according to the changes in the gross national product implicit price deflator.

The Department's proposal calls for a \$15-million supplemental authorization for 1975, \$80 million for 1976, \$15.1 million for the transition quarter, and \$79 million for 1977.

We are pleased with the enactment of S. 326 which provided the \$15-million supplemental authorization for 1975.

We are also pleased with the fact that H.R. 7688 calls for \$80 million for 1976. This amount consists of \$55 million for administration and \$25 million for the accelerated capital improvement program.

As the committee is aware, we are attempting to accelerate the trust territory's capital improvement program—CIP—in a concerted effort to meet the basic infrastructure needs of the people of Micronesia.

The largest part of that program is the \$11.6 million—more than 46 percent of the total requested—required for the construction of vitally necessary transportation and communications facilities including road paving and construction in all districts; a \$2.4-million dock and harbor project at Majuro; the lengthening and paving of the Truk airport runway and the construction of a new airport at Kusaie; and the inclusion of the new district of Kusaie into the primary communication network. The second largest item is \$3.9 million for water, sewer and power projects urgently needed in all districts to provide the basic infrastructure required for economic development. A direct infusion of \$2.8 million in economic development projects is being requested to upgrade agricultural warehouses—

Senator JOHNSTON. What do you keep in the agricultural warehouses?

Mr. COLEMAN. Feed and fertilizer.

Mr. RICE. Copra.

Senator JOHNSTON. Are these products grown on the islands, or feed and fertilizer imported?

Mr. COLEMAN. Imported.

Mr. RICE. And equipment and to expand the mariculture, inshore, and deep-sea fishing capabilities of all districts.

The \$2 million requested for education facilities is necessary to meet the requirements of the growing numbers of students in the elementary and secondary schools, especially in the Marshalls where \$1.3 million has been programed to expand the high school campus on Majuro.

Public health facility requirements total \$1.7 million, the largest part of which is required for the purchase of equipment for the new hospitals programed for the Yap and Ponape Districts.

We approve of the H.R. 7688 provision of \$15.1 million for the transition quarter. This figure is a weighted one-fourth of the projected 1976 trust territory operations budget plus \$478,000 for ongoing CIP. It is weighted since larger obligations are incurred in the July-September quarter than in other quarters of the fiscal year.

With regard to 1977, the Department proposed that \$79 million be authorized, whereas H.R. 7688 calls for \$80 million. It is our understanding that the House added \$1 million to our request so that the authorization would be the same as 1976. We stand by our request of \$79 million for fiscal year 1977. The next three items to be addressed were included in H.R. 7688, but were not in the Department's original proposal.

H.R. 7688 would reauthorize the unappropriated authorization for fiscal year 1975. As you are aware, S. 326, which passed the Congress this spring, provided an additional \$15 million for the trust territory raising its 1975 ceiling to \$75 million.

The bill did not become public law until after action on the second supplemental appropriation by the Appropriations Committees. However, \$8,050,000 of the \$15 million authorized was appropriated for the trust territory.

Since the remaining \$6,950,000 was a part of the administration's program, and since these funds remain necessary to the trust territory's overall program, the House reauthorized the funds. The bulk of these funds were slated for the capital improvement program and fuel for running the electricity generators and ships in the trust territory.

The fact that sufficient funds for fuel were not made available as requested was the main reason for the emergency reprogramming which took place in the trust territory this past May and June; \$2.5 million was transferred from CIP to operations; \$2.7 million of the unappropriated \$6,950,000 was slated for operations. Reauthorization of these 1975 moneys would allow refunding of the delayed CIP projects.

If the committee is interested in what these projects are that have been deferred, Mr. Quinn will be able to address those. It appears it became necessary to reprogram these projects regardless of priorities. It was due to the emergency situation that existed, so I am advised, in the trust territory, that priorities could not be considered. We simply had to look where funds were available.

Many of the projects, as I understand, were to be constructed in several phases, or one or more phases. So it will be essential so we do not waste prior work that has been done on phase I or phase II of projects, to hopefully be able to fund these projects. That completes my statement. We are ready to answer any questions the committee might have.

Senator JOHNSTON. Some \$8 million, as I understand it, is included for a community college which was not in the Department's request. Is that correct?

Mr. RICE. That is correct, Mr. Chairman.

Senator JOHNSTON. Would you now oppose that, or endorse it, or what?

Mr. RICE. I can simply state it is not within the President's budget, Mr. Chairman, but I think we certainly can agree in principle that a community college is desirable for the trust territory. Our basic concern is that programs and curricula have not yet been developed. Further, we would hope, should it be funded by the Congress, we would hope it not be restricted to a 4-year college, that we would be able to plan upward for a 4-year college and perhaps start with a 2-year college as we were able to do from operational funding.

Senator JOHNSTON. Where did the figure \$8 million come from?

Mr. RICE. I don't know, Mr. Chairman. I think this was probably developed in the House with some aid from the Congress of Micronesia. I believe Congressman Setik is here today and will be able to answer your specific questions as to the components of the add-on.

Senator JOHNSTON. Have studies been done to determine the needs for a college, how many students would apply to it, what course of studies they would like to pursue, and so forth?

Mr. RICE. Yes, Mr. Chairman, I believe studies have been done. Incidentally, there is a community college in Micronesia at the present time that is operative. This add-on is for expanded facilities.

Senator JOHNSTON. That is the one in Ponape?

Mr. RICE. Yes, sir.

Senator JOHNSTON. How many students in that college? This is an add-on to that Ponape College?

Mr. RICE. Yes, Mr. Chairman, new facilities, new buildings. One hundred twenty-five students currently attend the community college in Ponape.

Senator JOHNSTON. Are there additional students applying to get in?

Mr. RICE. There are many students who come to the United States, Mr. Chairman, on scholarships. A total figure of the scholarships per annum would probably approach something like \$1.5 million. I strongly suspect it is the intent and hope of the Congress of Micronesia that some of these scholarship students will attend the community college once it is expanded.

Senator JOHNSTON. How many are there now?

Mr. RICE. Some 1,300 a year now attend college in the United States.

Senator JOHNSTON. Of that 1,300, how many come back to Micronesia?

Mr. RICE. Most of them return to Micronesia. Very few people stay in the United States for the most part.

Senator JOHNSTON. Are there figures on that?

Mr. COLEMAN. I don't have the exact figures, but I think 95 percent of them return. In the first place, they are not U.S. citizens, and they are not permitted to stay in the United States after their education.

Senator JOHNSTON. Where do the 5 percent go then?

Mr. COLEMAN. Some of them have acquired U.S. permanent residence status, and can remain in the United States, all of our Micronesian lawyers have returned to Micronesia. None are practicing anywhere in the United States. Those who are staying for medical doctor's degrees we feel will be returning too, after the completion of their studies.

Senator JOHNSTON. Those scholarships, we pay for those scholarships, do we not, the U.S. Government?

Mr. RICE. They are part of the regular trust territory budget, Mr. Chairman, and additionally the Congress of Micronesia appropriates some of its own funds for scholarships. Additionally, some scholarships are obtained from other Federal programs.

Senator JOHNSTON. We say it is a hope that those who come to the United States will then go to the community college there. Is it a hope that is going to be reinforced by failure to provide those scholarships, or are we going to make both programs available—

Mr. COLEMAN. We expect to increase the student load up to about 400 in the community college so there will be a gradual reduction. There has to be a phaseout operation of those going to the United States.

Senator JOHNSTON. You say there will be; why will there be?

Mr. COLEMAN. There will be a phaseout—

Senator JOHNSTON. From the scholarships?

Mr. COLEMAN. Yes; as the community college grows and can accept more students, there will be fewer scholarships for those going to the United States.

Senator JOHNSTON. Should we build that into this legislation? It seems to be a great waste to duplicate the effort. How much does it cost a year, \$1½ million?

Mr. RICE. \$1½ million is an estimate.

Senator JOHNSTON. \$1½ million for scholarships and another \$8 million for facilities. And you are hoping the \$1.5 million won't have to be spent, but you are still spending it. It seems to me we ought to have more planned than that.

In your judgment, is it a good thing, or would it be a good thing to have the Micronesian students go to school in Micronesia as opposed to going to the United States?

Mr. RICE. In my opinion, Mr. Chairman, it would not be a good thing. Many of these students are able to learn things and take courses in the United States, and have other types of experiences that would not be available exclusively in Micronesia, particularly in some of the vocational and technical areas.

Senator JOHNSTON. I will be interested in talking to our friends in the Micronesia Legislature at that point. That would seem so to me, that we have put a community college there that does provide training, but I personally would not think it would be a good thing to supplant the experiences these young people get in the United States at various different colleges, and exposure to a different way of life and that sort of thing.

Senator McClure.

Senator McCLURE. Is the enrollment at the community college now limited by the facilities, or is it limited by the number of applications?

Mr. COLEMAN. It is limited by facilities, facilities and our own capabilities in supplying teachers.

Senator McCLURE. Is it the lack of qualified teachers or your lack of ability to pay qualified teachers?

Mr. COLEMAN. The ability to pay for more teachers.

Senator McCLURE. If you expand the college, you will have more—the expansion of the facility itself will not solve your problem; it

will transfer the problem from one of facilities to one of operations, is that correct?

Mr. COLEMAN. That is correct.

Senator McCLURE. I suppose we can anticipate further requests for increased operational funds after the facilities are built?

Mr. COLEMAN. If there is a reduction in scholarships to the United States, part of that reduction would go into the operation of the college.

Senator McCLURE. Do you have any idea what courses of study these students are pursuing in the scholarship program?

Mr. COLEMAN. In the United States?

Senator McCLURE. Yes.

Mr. RICE. It is a complete spectrum of education, Mr. Chairman, everything from medicine, law, accounting, education, business arts and science, health, and services.

Senator McCLURE. Do you have a breakdown of the number of students in each area?

Mr. RICE. I don't believe I have that information currently available, but I believe we had previously submitted it during the overview hearings.

Senator McCLURE. If it has not been submitted, I wonder if you would submit it so we could have it for part of the record. [See p. 36.]

How many are involved in law, do you have any idea?

Mr. RICE. At the current time, Mr. Chairman, I believe we have approximately 15, or somewhere, lawyers total, and that many more attending prelaw or law school.

Senator McCLURE. 15 of the 1,300?

Mr. RICE. Yes.

Senator McCLURE. How many are in medicine?

Mr. COLEMAN. About six in medicine.

Senator McCLURE. It is the recommendation of the Department, I take it from your statement, that you do not want to see it tied to a 4-year school. You want to see whatever authorization there is to permit you to spend your money for expansion of the community college rather than the immediate institution of a 4-year college, is that correct?

Mr. RICE. Yes.

Senator McCLURE. If the money is granted, what would you expect the curriculum development to be in the community college?

Mr. COLEMAN. We will expand the curriculum to include the arts, sciences, education, go into agriculture and business administration, economics, and tie it in with the skill needs of Micronesia in accordance with the development plan that is being formulated at the present time.

Senator McCLURE. I notice you have in your fiscal construction projects an airport scheduled at Kusaie. Are you planning to build a jet facility?

Mr. COLEMAN. Yes; a facility to meet the minimum requirements for jets.

Senator McCLURE. Do you expect Kusaie would be on a direct jet service route?

Mr. COLEMAN. The matter has been discussed with the Air Micronesia people. They feel they can go in there once the airfield is operable.

Senator McCLURE. On what kind of basis, once a week?

Mr. COLEMAN. We have not set a definite time schedule, but we would expect it to be once a week.

Senator McCURE. I have no further questions.

Senator JOHNSTON. Gentlemen, as I look at this budget it appears to me the biggest question here—well, two big questions are first the college, and second the \$10 million for the reduction in grant-in-aid. We have spoken about the college. We are going to study that in great detail on this committee. I think that is a major decision, whether we need a college, whether we need it at this time, whether \$10 million is appropriate, what it will cost to get it going, whether it will fill the need it purports to fill, and whether we can better do that by expanding the scholarship program if that is what is needed. All of those things. We would welcome any further thoughts you would have on that after the hearing, if you would like to submit that in writing.

Now, would you speak to this question of \$10 million reduction in grant-in-aid?

Mr. RICE. Mr. Chairman, since this \$10 million was authorized, \$700,000 has been appropriated to date. It is the Department's position that provision for the \$10 million is unnecessary and appropriately should be eliminated.

Senator JOHNSTON. What did the reduction in grant-in-aid amount to, the specific programs? Can you analyze that?

Mr. QUINN. In 1975, sir, there was not much of an overall reduction in the agricultural program, but in previous years they had provided a great deal of rice, which is very much a staple in the Micronesian diet, primarily to high schools, colleges, and hospitals.

In 1975, the rice dropped off, and that is what we asked the \$700,000 for, to replace that.

Senator JOHNSTON. \$700,000 was for the rice? How about the other \$9,300,000?

Mr. QUINN. It seems, sir, most of the other programs are continuing—

Senator JOHNSTON. Where did the House get the figure of \$10 million?

Mr. RICE. Because of revenue sharing, Mr. Chairman, which was not applicable to the trust territory.

Senator JOHNSTON. Did they get that last year?

Mr. RICE. The fund was put in as a contingency. I don't believe it was put in last year; it was 2 years ago.

Senator JOHNSTON. Did they actually get the money 2 years ago?

Mr. RICE. \$700,000 has been appropriated; \$10 million was authorized.

Senator JOHNSTON. As I understand it, there was a figure of \$10 million which was authorized for a reduction in grant-in-aid. Now, did they get \$10 million at some point in the past which was reduced thereafter?

Mr. RICE. I believe Mr. Sander is familiar with that. He will address that.

Mr. SANDER. As I understand, Senator, the provision was offered by the House, because the Congress had enacted the revenue-sharing program, which was not applicable to the trust territory.

Senator JOHNSTON. We were going to have it?

Mr. SANDER. At that time—

Senator JOHNSTON. At what time?

Mr. SANDER. When the current authorization was enacted 2 years ago. And prospectively, they were thinking that a number of trust territory programs would be cut, so they offered this \$10-million authorization to cover possible cuts.

Senator JOHNSTON. That first appeared in the authorization bill 2 years ago?

Mr. SANDER. Yes; it would apply to 1974 and 1975.

Senator JOHNSTON. They just brought that language forward in each of these bills?

Mr. SANDER. Yes, sir.

Senator JOHNSTON. So there was no brandnew thought this year that needed taking care of in terms of reduction in grant-in-aid, they just brought it forward? And if they can prove reduction of the program, they can get it funded out of this \$10 million?

Mr. SANDER. That is correct.

Senator McCLURE. Mr. Chairman, I think we brushed by one of the most important areas. The only reason we did it, because of the extensive hearings held by this committee earlier on public works.

I would like to ask a question as to your opinion, as to how the task force sent out there has been functioning, and if they have made any progress?

Mr. RICE. I think there has been extensive progress made. Mr. Zeder took with him three gentlemen from the Department. One was an engineering expert, another a cost expert, and another a planning expert. He also took with him a Mr. Darner, who is a contract lawyer from the Department of the Interior.

They have toured all six districts, viewed the physical infrastructure, and have made a study of costs to determine what is projected, whether it will actually buy the infrastructure that is planned. I don't know what the result of that study is at this point in time, but I am sure Mr. Zeder will be making a report to the committee on his return.

Many of the recommendations of Mr. Dreyfus, as I mentioned before, with whom Mr. Zeder consulted immediately before his departure, were in fact implemented in this task force. We very much appreciate the suggestions of Mr. Dreyfus and his kind help in this matter.

Senator McCLURE. When can we expect that report?

Mr. RICE. I would project Mr. Zeder would return about August 7, and hopefully we would have some report over to you by September 15, once all of the figures are in and have been assembled. It is a massive type of thing, as you are aware.

Senator McCLURE. If you are already surveying what has already been done, it won't take very long.

Mr. RICE. There is a complete survey into the entire 5-year program.

Senator McCLURE. I understand that. If we go through all of the steps of plans that have been made, that will take an infinite amount of time.

Mr. RICE. I think a preliminary report can be issued quickly on that.

Senator McCLURE. I don't want to belabor the point. It is premature to judge what the task force will bring back, but I am concerned that

we do, indeed, take a very close look at what has been done on public works out there. The amount of money that has gone out there in the last several years has not produced anything of equivalent substance, in my judgment. I hope the task force will be able to tell me I am wrong. More importantly, I hope the task force will be able to pinpoint the ways in which we can make that expenditure more effective.

Mr. RICE. I might add, Senator, a major portion of this exercise on the part of Mr. Zeder has been to tighten up contract procedures to provide for more efficient methods of contracting, to implement a record and inventory system, and to improve the management system. I believe his report will show many of your concerns have been met, and we will not be having some of the same problems in the future.

Senator McCURE. I will await that report before I comment on that. Perhaps I should also say I will await some performance after the report to determine if that is true or not. I only mention it at this time because I know that is a major concern to people in the islands, and it is a major concern to myself.

Again, this is probably not the time to go into it extensively, but it has left the record rather incomplete, or misled others concerning our interest in the public works program.

Senator JOHNSON. Thank you very much, Senator McClure. I would like to echo that thought. Senator McClure is very correct in emphasizing that.

Mr. RICE. Mr. Chairman, I believe we understand that, and you have indicated to us you do have a continuing concern, and pursuant to that Mr. Dreyfus will tell you we have been in communication with him informally and plan to continue that.

Senator JOHNSTON. Thank you very much. We appreciate your testimony very much.

[The prepared statement of Mr. Rice follows:]

STATEMENT OF EMMETT M. RICE, ACTING DIRECTOR OF THE OFFICE OF TERRITORIAL AFFAIRS, DEPARTMENT OF THE INTERIOR

Mr. Chairman, we are pleased to appear today before the Committee on Interior and Insular Affairs to discuss H.R. 7688 which would provide for the continuance of the civil government of the Trust Territory of the Pacific Islands for fiscal years 1976 and 1977.

The bill would authorize \$80,000,000 for FY 1976, \$15,100,000 for the transition quarter, \$80,000,000 for FY 1977, the \$6,950,000 authorized for 1975 but not appropriated, \$8,000,000 for a four-year college, plus \$10,000,000 to offset reductions in or termination of Federal grant-in-aid programs or other funds made available to the Trust Territory by other Federal agencies. The amounts will be adjusted upwards or downwards according to changes in the Gross National Product Implicit Price Deflator.

On August 26, 1974 the Secretary of the Interior transmitted the Department's proposal for the 1975 and 1976 authorization, calling for \$80 million for 1976. On February 18, 1975, the Secretary transmitted the Department's current proposal. It calls for a \$15 million supplemental authorization for 1975, \$80 million for 1976, \$15.1 million for the transition quarter, and \$79 million for 1977.

We are pleased with the enactment of S. 326 which provided the \$15 million supplemental authorization for 1975.

1976 AUTHORIZATION

We are also pleased with the fact that H.R. 7688 calls for \$80 million for 1976. This amount consists of \$55 million for administration and \$25 million for the accelerated capital improvement program.

1976 capital improvement program

As the Committee is aware we are attempting to accelerate the Trust Territory's Capital Improvement Program in a concerted effort to meet the basic infrastructure needs of the people of Micronesia. The largest part of that program is the \$11.6 million (more than 46 percent of the total requested) required for the construction of vitally necessary transportation and communications facilities including road paving and construction in all districts; a \$2.4 million dock and harbor project at Majuro; the lengthening and paving of the Truk airport and the construction of a new airport at Kusaie; and the inclusion of the new district of Kusaie into the primary communication network. The second largest item is \$3.9 million for water, sewer and power projects urgently needed in all districts to provide the basic infrastructure required for economic development. A direct infusion of \$2.8 million in economic development projects is being requested to upgrade agricultural warehouses and equipment and to expand the mariculture, inshore, and deep sea fishing capabilities of all districts. The \$2 million requested for education facilities is necessary to meet the requirements of the growing numbers of students in the elementary and secondary schools, especially in the Marshalls where \$1.3 million has been programmed to expand the high school campus on Majuro. Public health facility requirements total \$1.7 million, the largest part of which is required for the purchase of equipment for the new hospitals programmed for the Yap and the Ponape Districts.

A total of \$1.2 million is required for support of the Design/Engineering and the Contract Construction Administration divisions of the Public Works Department, separately funded for the first time in FY 1976 rather than from charges assessed construction projects as heretofore. The balance of our \$25 million request for construction programming in FY 76, nearly \$2 million, consists of: \$948,000 for community development facilities; \$916,000 for maintenance and rehabilitation facilities and \$126,000 for legal affairs facilities. Each of the many individual projects to be funded in FY 76 are separately described in our budget justifications submitted to the Committee, and we are prepared to go into as much detail on each project, and the construction program as a whole, as the members of the Committee may feel would be useful.

1976 operations program

The remainder of the requested authorization is required to support our operating programs. As in the past, our largest operating program cost in FY 76 is our Education program for which \$13.4 million, or more than 24 percent of the total, is required to serve our ever growing student population which we estimate will total nearly 36,000 in FY 76. The second largest operating program, Public Works, which is responsible for the maintenance of the Trust Territory's buildings, roads, airfields, vehicles and other facilities and equipment as well as the operating and maintenance of its utility systems, requires 21.4 percent, or \$11.8 million, of our operations funds requested for FY 76. The Health Services program, which provides medical and dental services in 6 district center hospitals, 3 sub-district center small hospitals and 171 dispensaries, requires \$8.7 million, or nearly 16 percent of our FY 76 operating funds. Costs for Administration of the Trust Territory in FY 76 are estimated at \$5.9 million which is 10.7 percent of the funds requested for operations.

The next largest operating program, Resources and Development, for which \$5.7 million is required for FY 76, is the focal point for assisting Micronesia in developing its economic base so that its future self-government will be largely economically self-sufficient. The lifeline of the Trust Territory, its Transportation and Communication system, requires \$3.8 million in FY 76 to provide these vital services. A total of \$2.9 million is required in FY 76 to provide protection to Persons and Property, the program which provides necessary legal services to maintain law and order in the Trust Territory. The Public Affairs program, by which the Trust Territory Government seeks to assist the Micronesians to understand and participate in the affairs of their government at the territorial, district and municipal levels, requires a \$1.7 million support level in FY 76. The remaining \$1.1 million balance of our FY 76 operations funding request consists of \$461,100 for the High Commissioner's office, \$431,600 for the High Court in the judiciary branch of the government, and \$225,000 for audit services provided the Trust Territory by the Guam Federal Comptroller's office. Again, each of these programs and their sub-programs are separately described in our budget justification submitted to the Committee, and we would be pleased to go into as much detail on each program as the Committee members may feel would be useful.

TRANSITION QUARTER

We approve of the H.R. 7688 provision of \$15.1 million for the transition quarter. This figure is a weighted one-fourth of the projected 1976 Trust Territory operations budget plus \$478,000 for on-going CIP. It is weighted since larger obligations are incurred in the July-September quarter than in other quarters of the fiscal year.

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With regard to 1977, the Department proposed that \$79 million be authorized, whereas H.R. 7688 calls for \$80 million.

It is our understanding that the House added \$1 million to our request so that the authorization would be the same as 1976. We stand by our request of \$79 million for FY 1977.

The next three items to be addressed were included in H.R. 7688 but were not in Department's original proposal.

RE-AUTHORIZATION

H.R. 7688 would re-authorize the unappropriated authorization for FY 1975. As you are aware S. 326 which passed the Congress this spring, provided an additional \$15 million for the Trust Territory raising its 1975 ceiling to \$75 million. The bill did not become public law until after action on the second supplemental appropriation by the appropriations committees. However, \$8,050,000 of the \$15 million authorized was appropriated for the Trust Territory. Since the remaining \$6,950,000 was a part of the administration's program, and since these funds are as necessary to the Trust Territory's overall program, the House re-authorized the funds. The bulk of these funds were slated for the capital improvement program and fuel for running the electricity generators and ships in the Trust Territory. The fact that sufficient funds for fuel were not made available as requested was the main reason for the emergency reprogramming which took place in the Trust Territory this past May and June. \$2.5 million was transferred from CIP to operations. \$2.7 million of the unappropriated \$6,950,000 was slated for operations. Re-authorization of these 1975 moneys would allow refunding of the delayed CIP projects.

COLLEGE CONSTRUCTION

The House Subcommittee, at the behest of the Congress of Micronesia, added \$8 million for construction of a four-year college. As you may know, the Community College of Micronesia opened its doors July 1, 1970. It is still in its infancy. At this early stage of its development, it will be difficult to make it into a four-year college, although there is long-range planning to up-grade the facilities. Should moneys be authorized for facility construction, we recommend that reference to a four-year institution be deleted. We favor the gradual expansion of the role of the Community College of Micronesia. It will be necessary to develop the curricula and programs of the college and add to the facilities as the program grows. It is the concern of the administration that the operating budget of the college will be far too large for the Trust Territory Government to sustain since there is no provision for funding the increased operation costs.

FUNDING OF TERMINATED GRANT-IN-AID PROGRAMS

The provision in H.R. 7688 authorizing \$10,000,000 for terminated or reduced grant-in-aid programs from other Federal agencies originated after the Federal revenue sharing program was enacted. The Trust Territory was not included in revenue sharing legislation. Therefore, Congress enacted this provision as a hedge against the possibility that program funding for the Trust Territory would be cut. Congress to date has appropriated only \$700,000 under this authorization. We feel that the provision is unnecessary and should be eliminated.

REPROGRAMING

As mentioned earlier, the Department carried out a reprogramming of Trust Territory funds late in the last fiscal year. In order to fund the absolute minimum operations necessary to carry out the vital functions of the government of the Trust Territory of the Pacific Islands (TTPI) the Department of the

Interior was required to reprogram \$2.5 million from Grant-Capital Improvement projects to Grant-Operations within the FY 1975 appropriation "Trust Territory of the Pacific Islands."

The projects deferred or reduced in scope during FY 1975 are as follows:

	(In thousands of dollars)
1. Elementary schools in Truk and Kusaie-----	\$200.6
2. Secondary schools on Satawan Ulul and Ponape-----	348.0
3. Ponape hospital-----	145.0
4. Other medical facilities-----	26.4
5. Airfields on Rota, Yap, Truk and Majuro-----	371.3
6. Docks in Majuro and Ponape-----	50.0
7. Roads and bridges on Ponape and Palau-----	208.0
8. Refrigeration Plants on Majuro, Truk and Kusaie-----	139.9
9. Bikini rehabilitation-----	400.0
10. Enewetak planning-----	75.0
11. Water and sewer projects on Truk, Ponape and the Marianas-----	244.1
12. Power projects on Truk and the Marianas-----	286.9
13. Public works building on Kusaie-----	3.6
Total-----	2,498.7

I would like to explain how the situation arose. In April 1975 TTPI officials reported that actual operating costs were exceeding budgeted amounts due to the inflationary impact of the costs of fuel, other related products and services, and that in order to remain within the funds allocated for Grant-Operations the TTPI would be forced to virtually close down operations in May and June. (In essence the cost of fuel has increased over 200%). In response, the Department advised the TTPI that it was clearly improper to incur obligations in anticipation of supplemental funding and that they were to implement in austerity program to remain within their current obligational authority.

The HICOM subsequently requested authority to reprogram \$4.5 million from unobligated C.I.P. balances to cover operational costs until supplemental funds were made available. On May 15, 1975, authority was granted to reprogram \$2.5 million of C.I.P. funds to Grant-Operations as a temporary measure to provide for the continuation of vital necessary services. A letter of intent to reprogram was sent to the House and Senate Subcommittees on Appropriations notifying them that the TTPI may require up to \$5.0 M in reprogramming authority to maintain the minimal operations considered necessary. At the same time the Department constituted an audit task force on an emergency basis to validate, on site, the financial condition reported by the High Commissioner.

On June 1, 1975, the Departmental Audit Task Force reported that, due to the manner in which TTPI maintained its financial records, greater fund availability was evident than had been reported by TTPI. In a message dated June 4, 1975, the Department directed TTPI to adjust accounting records and reports for invalid obligations and unrecorded obligations (estimated at approximately \$1.3 million net) to accurately reflect total funds available in Grant-Operations for FY 1974 and FY 1975. In this same message the Department granted authority to reprogram an additional \$2.5 million from available resources to fund operations for the balance of FY 1975, and directed specific corrective action to be taken to accurately portray total funds available in future years. Enactment of the Second Supplemental Appropriations Act, which provided \$2.4 million for Grant-Operations for FY 1975 obviated the need for the additional reprogramming of \$2.5 million.

Senator JOHNSTON. Next, we have our very good friend, Senator Bailey Olter, and Representative Raymond Setik, and they will testify together. We are very happy to have them with us here this morning.

Gentlemen, we are glad to have you this morning. You may proceed as you wish. If you would like to summarize, we will be glad to hear your summary, or you may proceed as you wish.

STATEMENT OF REPRESENTATIVE RAYMOND SETIK AND SENATOR
BAILEY OLTER, COCHAIRMEN, JOINT COMMITTEE ON PROGRAM
AND BUDGET PLANNING, CONGRESS OF MICRONESIA

Mr. SETIK. Thank you, Mr. Chairman.

Before we proceed to summarize our statement, I would like to also introduce to my right, Senator Bailey Olter, and also Senator Pedro A. Tenorio from the Marianas, and to our left is our staff, Mr. Stephen Miller.

I would like to ask Bailey Olter to deliver our joint statement.

Mr. OLTER. Thank you, Mr. Chairman and Senator McClure. It is an honor and pleasure for us to be able to join you today in these hearings on H.R. 7688 authorizing various sums for the support of the Trust Territory of the Pacific Islands.

We felt that the hearings which you held in March of this year were most beneficial. Since that time, the Department of the Interior has sent a task force to Micronesia to consider many of the problems which we discussed at the March hearings. The task force has met with members of the Congress of Micronesia and we feel that many improvements will be made as a result of their investigation.

As you know, the trust territory government has had some serious financial problems during fiscal year 1975. Two factors contributed to these problems: Severe increases in the cost of most products, especially fuel and oils, and some financial management problems which are in the process of being corrected. These two factors, however, increased operating expenses so that \$2.5 million of capital improvement projects budgeted for fiscal year 1975 had to be reprogrammed to cover additional operating expenses.

The capital improvement projects for which the funds were originally budgeted, however, are projects which must be undertaken, as many of them are ongoing projects. If the balance of the supplemental request for fiscal year 1975 is not authorized in fiscal year 1976, the budget for fiscal year 1976 will have to be restructured so that the reprogrammed capital funds in fiscal year 1975 can be restored. To do this, \$2.5 million of capital improvement projects budgeted for fiscal year 1976 will have to be deferred.

We support the provision in H.R. 7688 to authorize the authorized but unappropriated funds for fiscal year 1975, in the amount of \$6,950,000. Of this amount, \$2.5 million will be used to fund those capital improvement projects from which funds were taken to cover operating expenses in fiscal year 1975. The remaining \$4,450,000 will be used for the purchase of the remainder of the ships for the inner island fleet. We would like to request that the language be amended to provide that these funds be authorized for fiscal year 1976, since no year is specified in the bill.

We fully support the provisions in the bill authorizing \$80 million for fiscal years 1976 and 1977. These funds will be used to support ongoing operating programs and basic capital improvement projects such as classrooms, roads, airfields, agricultural and marine resources

facilities, public utilities projects, and hospital improvements. All of these facilities are badly needed and their implementation will further the development of the infrastructure required for economic development to proceed.

We are presently preparing our comprehensive economic and social development plan for Micronesia. The United Nations development program is helping to fund the project. When this plan is completed, we will be able to present a coordinated and effective program for economic development in Micronesia, which we anticipate will lead us to our goal of greater self-sufficiency.

There is a provision in the bill to provide for the continuation of Federal programs in Micronesia which may be reduced or terminated. This provision is very important if we are to function effectively within approved budget levels.

Our budget is prepared on the assumption that Federal programs will continue. If they are terminated or reduced, other funds will have to be found to continue them.

The provision in this bill to authorize \$10 million which can only be used in case some of these programs are no longer available to us should be more than adequate.

In some cases, Federal programs are terminated because they are no longer needed in the United States. Examples are some teacher training programs and the commodity food program. Because of very different circumstances in Micronesia, however, these programs are still badly needed there. This authorization enables us to adjust to these different circumstances so that we can retain those programs which may be of vital importance to Micronesia even after they are no longer needed in the United States.

One provision in this bill which is especially important to us and the people of Micronesia is the \$8 million for the Community College of Micronesia. We discussed this project at the hearings held by this committee in March, and we are most pleased to note that this project is included in H.R. 7688.

We have sent you a copy of the proposal for the community college prepared by Mackinlay, Winnacker, McNeil and Associates. Most of the detailed technical information on the history of the present facility and the proposal for its expansion is contained in that document entitled, "Justification of Need, Program and Master Plan for the Community College of Micronesia."

As we stated at the hearings in March, we are not asking for an elaborate university system, but rather an institution that can train Micronesians to begin to run our country. At the present time, 70 percent, or 1,200 of our postsecondary students must go outside of Micronesia to complete their education. This costs the Government about \$3.5 million each year. We feel that some of this money could be much better spent in a Micronesian college than elsewhere.

The cost of supporting a Micronesian student at the University of Hawaii is \$3,500 for each year. The cost for one student at the proposed new community college would be \$2,300. Therefore, we could save a substantial sum of money by having the expanded facility in Micronesia.

Senator JOHNSTON. Is the campus at Ponape? I am looking at the report. It shows the justification for that being on page 92, and I've turned to page 92 of this report, and it shows the cost is \$3,767 per student. The cost of Palikir campus is \$3,280 per student.

Mr. SETIK. The way it is determined, it will be cheaper. You will increase the number of students, and—at the same time, the cost would be reduced.

[The information referred to that appears on page 92 of "Justification of Need Program and Master Plan for Community College of Micronesia" follows:]

Table 17 compares the present enrollment and costs of the Kolonia campus with their estimated levels at the Palikir campus.

TABLE 17.—ENROLLMENT AND PROGRAM COST COMPARISONS

Program	Kolonia campus ¹		Palikir campus	
	Enrollment	Program cost	Enrollment	Program cost
Full time.....	122	\$459,600	400	\$910,200

¹ 1973-74 enrollment.

² Proposed 1977-78 enrollment.

Table 18 shows the resulting comparison of costs per student.

TABLE 18.—COST PER STUDENT COMPARISONS

Program	Kolonia campus cost per student	Palikir campus cost per student
Full time.....	\$3,767	\$2,280

These calculations clearly show that the increasing operating funds required by expansion will be accompanied by increasing efficiencies in the use of those funds.

Senator JOHNSTON. Excuse me for interrupting you. Please proceed.

Mr. OLTER. The present temporary facilities are congested, unsanitary, hot, unsafe, and totally unsuitable for educational purposes. Further, the limited capacity of the institution restricts it to basically a teacher training center.

The new facility would have programs in education, business administration, liberal arts, and nursing. We propose that the new facility first provide a 2-year program with provision for college transfer credits, so that some students can transfer to 4-year institutions upon graduation from the community college. Eventually, we hope that the institution will become a regular 4-year college.

For this reason we would like to request that H.R. 7688 be amended by striking the words "four-year" from line 6 on page 2.

Having this institution in Micronesia should help to solve one of our problems that students often have, difficulty in adjusting to college life away from home. Having the college program in Micronesia would lessen these problems for many of our students.

Further, we feel that having this facility in Micronesia will enable us to structure the college to meet the unique needs of our developing nation. No institution outside of Micronesia can do this. We feel that the establishment of this institution will be of great importance to the future of our nation as a free and stable society. I would like to submit for the record a letter, from the Director of Education, dated April 23, 1975, concerning this proposal.

[The letter referred to follows:]

TRUST TERRITORY OF THE PACIFIC ISLANDS,
OFFICE OF THE HIGH COMMISSIONER,
Saipan, Mariana Islands, April 23, 1975.

HON. RAYMOND SETIK,
Chairman, Joint Committee on Program and Budget Planning, Congress of Micronesia, Saipan, M.I.

DEAR MR. CHAIRMAN: There are numerous compelling reasons for the establishment of a new Community College of Micronesia at Palikir in Ponape District.

The first and most compelling reason is that recently expressed by Members of the Congress of Micronesia, the Micronesia Board of Education, the District Administrators, the Director of Education, the Education Administrators and the people of Micronesia; the urgent need for a Micronesian center of higher education located in Micronesia, that would uniquely identify itself with and adopt its programs to the hopes and aspirations of the people of Micronesia and that could address itself to the problems of a developing Micronesia with full knowledge of all the factors involved. Clearly expressed within this need is the idea that a Micronesian institution of higher learning would be the focal point of efforts to provide a unity of purpose among the various cultures and peoples of Micronesia. This is a most important consideration. For too long, non-Micronesians have attempted to study and identify the commonalities within Micronesia, an endeavor that can profitably be done only by our own people.

After fifteen years of American Civil Administration, Micronesia still does not have an adequate institution of higher learning that meets even the minimal needs of her people. Micronesia is rapidly approaching the time when her political determination will be accomplished. It would indeed be tragic that Micronesia enter into its new status without possessing its own institution of higher learning. It is a demonstrated truism in the pattern of developing areas that higher education is the greatest single positive factor in the economic development of the country. No institution can be expected to have the awareness and the flexibility to develop programs, curriculum and services which would meet our unique needs except an institution administered by and for Micronesians and situated within Micronesia.

Over twelve hundred Micronesian students are now pursuing higher education outside of Micronesia. It is not to be expected that a college in Micronesia can ever fill the total demand for higher education but it is also true that none of the institutions abroad can ever address itself to Micronesian problems and needs, when an outside institution's outlook and direction is to a society already developed with a basis different than that found in Micronesia.

Over three and a half million dollars is now spent by students studying abroad, much of it from Micronesian resources which represent a sum well in excess of the dollar value of the products exported from the Trust Territory in any one year of the last few years. If only one third of this sum of money were invested each year in Micronesia, it would have an increasing economic effect on all of the islands of Micronesia. The return to Micronesia would in effect be greatly increased with that amount of money invested in the Micronesia economy and the incalculable value of the education given Micronesian students in Micronesia. The yearly cost of maintaining a Micronesia student at the new Community College would be about a thousand dollars cheaper than in an institution outside of Micronesia.

It is significant that when Micronesian graduates of institutions abroad return after four years of education they find themselves strangers in their own land. This does not occur when they return from two years at C.C.M. or the Nursing School or at MOC. There is no returning culture shock, there is no shattering of unrealizable foreign ideals, no adjustment to a different life style, but there

would be a heightened awareness of the worth of the individual in his society and a new knowledge of and appreciation for, the rest of Micronesia when students are able to remain in the Trust Territory for their higher education.

If present population trends continue, and there is no reason why they should not, then the student population will increase by two thirds by 1985, only ten years from now, and will triple by the year 2000. To meet the demand for trained teachers only, we will then have to train at least two hundred teachers a year. Presently, Health Services is suffering because of a lack of trained nurses, a need that will continue to expand as our population increases.

The growth of an economy is contingent on the availability of trained people in areas directly relevant to economic development. There is no way that this can be accomplished except through viable programs instituted through an institution of higher learning, here in Micronesia.

In conclusion, reason demands a viable institution of higher learning situated in Micronesia. The planning has been executed, the site has been chosen, the need for a new college has been demonstrated, and leaders and people solicited have responded affirmatively. All that remains is to identify the funding source that will bring to fruition the new and expanded Community College of Micronesia at the Palikir site in Ponape. Action must take place now, for a new Community College of Micronesia later, may be never.

Sincerely yours,

DAVID RAMARUI,
Director of Education.

Mr. OLTER. Mr. Chairman, we are very enthusiastic about the provisions in H.R. 7688, and would urge your committee to give it favorable consideration.

Senator JOHNSTON. Thank you very much, Senator Olter.

Now, what costs are included in these costs to the Colonial campus and Palikir campus? Is there some document we can see? I am sure they did not include any depreciation cost or the capital cost in figuring these costs per student of \$3,767 and \$3,280 per student. Do we have the figures on those? Can we obtain that?

Mr. SETTK. I think we can provide for the record, but the information is provided on page 92.

Senator JOHNSTON. That shows the program cost, but we don't know what all goes into that program cost. For example, it will include utilities, the cost of food, and we need all of those costs to make a few comparisons.

Now, as I look at this community college, which seems to be one of the major points here, the House report points out the community college of Micronesia is in a unique position to offer its students an awareness of the problems and needs of the potential of Micronesia and her people. Yet, when we look at the programs to be included in the new facility, education, business administration, liberal arts, and nursing, those do not seem to be the kind of program and subject matter that are unique to Micronesia, but to the contrary, could probably be taught better at the University of Hawaii or stateside.

Mr. MILLER. There is a curriculum of Micronesian art, music, dance—in the report this is stated—and it will be a cultural center of the college for continual Micronesian education in their cultural heritage, for teachers to make it part of the elementary and secondary education system. And that type of teacher training I don't think is available anywhere else in the world. That is on page 34 of this report.

Senator JOHNSTON. Why would we have to expand the facility to do that?

Mr. MILLER. At the present time, there is room for no more than the 125 students who are attending the college, and the need for teachers is increasing greatly. If they intend to continue the college and meet

the need for teachers, especially the elementary schools at that facility, they are going to have to expand it. Otherwise, they won't be able to train the number of teachers which are needed and will have to send more and more teachers outside Micronesia.

Senator JOHNSTON. Would you say Micronesian culture is the main strength that this community college would have?

Mr. MILLER. I would say not necessarily the main strength. One of the other strengths is that there is a need in Micronesia for an educational center that cannot only provide student services to students, but can also provide an informational center that can be drawn on by the schools throughout Micronesia for resources, a major resource center in Micronesia which can be used by all the districts.

Senator JOHNSTON. What kind of resources?

Mr. MILLER. Library resources, developing curriculum for the elementary and secondary schools.

Senator JOHNSTON. There is a long way between a community college and a research center.

Mr. MILLER. That is true. I think the community college could provide some of these types of needs.

Senator JOHNSTON. What type of research would they do, for example?

Mr. MILLER. In developing curriculum in the elementary school for Micronesia, study programs. These are the type of things students would also work on and develop in the college, and try to implement them in their schools.

Dual language schools—they are now starting to implement dual language schools, both in English and in the indigenous language. The needs of these programs can be developed. That college has developed some of these types of programs already. Some of the staff people have worked on some of those types of programs.

The thing here is not to start a new institution, but to get an adequate campus that is usable. The present facility is in the very center of the capital of Ponape, and there is absolutely no room for expansion, not one more building can be put up.

Senator JOHNSTON. This would be erected in Ponape.

Mr. MILLER. But about 10 miles away in a rural area where the new high school is going to be built, the new Ponape high school which is budgeted in the regular budget. And the college campus would be hopefully built at the same site and at the same time, which would save a considerable amount of money in mobilization costs.

Senator JOHNSTON. Where is Palikir complex?

Mr. OLTER. It is about 7 or 8 miles west.

Senator JOHNSTON. Then you would have two college campuses, both of these in Ponape?

Mr. OLTER. If the new campus is established, the present campus will be eliminated.

Senator JOHNSTON. There is no campus now in Palikir—it says the cost for one student at the new proposed community college would be \$2,300. That is an estimated cost. The actual cost at the existing campus is \$3,760. So it costs more now to educate a student at the existing campus than it does at present in Hawaii.

Mr. SETIK. That is correct.

Senator JOHNSTON. Why do you think by building a new campus you can do it more cheaply?

Mr. MILLER. One of the main reasons is with the increase from 125 students to 400 students, the cost per student would go down, although the total cost would go up. Many administrative staff required for even that small a student body could spread their time, and this is an economy of scale. It is too small to be really economical.

Senator JOHNSTON. Where would you get the teachers?

Mr. MILLER. Many of the teachers are recruited from the United States in technical areas, and returning Micronesian graduates from scholarship programs.

Senator JOHNSTON. Basically, to expand this enrollment three times would require the infiltration of stateside students.

Mr. MILLER. At this time, that is probably correct. But with the returning Micronesian college graduates, 1,200 or 1,300 in colleges in the United States at the present time, that is another resource that would be drawn upon.

Senator JOHNSTON. There is a community college in Aurora, is there not?

Mr. MILLER. No; there is an occupational center, purely vocational training program. It is not in any sense a college; it is more like a trade school. It trains waitresses, mechanics, refrigeration repairmen.

Senator JOHNSTON. Is it post-high school?

Mr. MILLER. It's basically post-high school, but I would not call it higher education in the sense it is leading toward a degree program, or in the normal sense. It is more to try to train persons so they can be employed in trades in Micronesia. In many cases, the high schools have not prepared them for—

Senator McCURE. Would it be fair to say it would not be in traditional educational terms, not considered post-high school?

Mr. MILLER. Yes, sir.

Senator JOHNSTON. You take a young person in Micronesia, and they go through the high school years, get a high school diploma before they enter the vocational-tech school, or whatever you call it.

Mr. MILLER. That is not always the case. High school graduation is not a requirement for entering that school, not to my knowledge.

Senator JOHNSTON. Is there an age requirement?

Mr. MILLER. I am not sure. No.

Senator JOHNSTON. What are the ages of the young people there? They look like college kids to me.

Mr. MILLER. Fifteen to probably over 30, or 18 over. There is quite a range.

Senator JOHNSTON. If we are going to speak of the particular needs of Micronesia, aren't those particular needs better met by that kind of "Vo-Tech" school to give you the kind of skills you need to develop your infrastructure, rather than talk about Micronesian studies and liberal arts and that type of thing?

Mr. MILLER. I think there is probably a need for both. There is a need in Micronesia for people trained in the trades and for the kind of work you are talking about to maintain the infrastructure. At the same time, you still need teachers in the schools, elementary and secondary. You still need economists, accountants to run the finance department—

Senator JOHNSTON. But can't they better get that stateside?

Mr. MILLER. Another problem we have, many students who come out of Micronesian high schools and go to college in the United States flunk out in the first year. They have a very high rate of failure.

Senator JOHNSTON. Why is that?

Mr. MILLER. I think many of the students are not prepared to leave their home islands or home districts, which they have never left, and go into an entirely new environment. By going first to a 2-year college in Ponape which will take many of them away from their home districts and give them some exposure to living in a college situation, and then transferring to a 4-year institution to complete their education, would hopefully eliminate many of the failures we presently have.

Senator JOHNSTON. What is the percentage of failures?

Mr. MILLER. I am not sure of that figure. We could provide it for the record.

Senator JOHNSTON. Is that a major problem?

Mr. SETK. It is a major problem.

Senator JOHNSTON. Do one-half of the students flunk out or one-third?

Mr. MILLER. Maybe about 25 percent or slightly higher.

Senator JOHNSTON. They flunk out during the first year?

Mr. MILLER. First or second year, flunk out or drop out. It is very expensive, of course, because the government is paying quite a bit of money to send them away, to travel. If we could eliminate the ones who may flunk out at the community college and only send on the most qualified people who have had some experience at college level work, this might be a more efficient way to allocate our educational resources.

Senator JOHNSTON. How carefully are they tested before they go?

Mr. MILLER. They try to select the most qualified people, but it is often difficult to find out how well they will adjust to being away from home and doing college level work. High schools in the territory are not equivalent to high schools in the United States, so the students are less prepared, I would say. Possibly by having 2 more years on the college level, and doing some patching up may prepare them better to compete with American students.

Senator JOHNSTON. You may well be right, I am not prepared to say. However, there has been enough study and thought given to this very basic question. I have seen the Vo-Tech Institute there in Koror, and it seems that is filling the basic need so much more pronounced, so much more evident, than a college that teaches liberal arts and Micronesian studies. I certainly want to keep an open mind on the question, but just to look at the needs as I see it, that is where we need the emphasis.

Senator Hatfield.

Senator HATFIELD. From the testimony today, I am not satisfied with either the basic material that has been presented to the committee thus far to indicate there has been careful enough preparation or basis on which we could launch a community college. Let me illustrate.

First of all, I think there is a very distinct confusion here between the purpose of such a community college that you have presented to us. We have what we call terminal programs, transfer programs in

your basic community college structure. This does not mean there is not an understanding that liberal arts could play, but basically, I think we can learn a great deal by our community college experience in this country.

We have what we call terminal programs where they are developed on a 2-year basis. That is it. The program is developed so as to complete the curriculum and training for that 2-year program. That doesn't mean that a person cannot go on to a 4-year college, but basically he is looking at this as a complete curricula.

Then the transfer program you can build on purposely and leave the program to move on through your college. You have to make a commitment. You are either going into a vocational-technical type institute, a community college, or you are, like many of our communities, anticipating the future, a 4-year college upon which you are building a base on which your liberal arts is the predominant program. I don't think you can have both.

When you don't have a basis on which to build, the elementary and secondary systems don't get strong. I think that is where we have to really put our efforts, to build the foundations. I don't believe education is divisible. We do it arbitrarily, we talk about elementary, senior high, 2-year colleges, 4-year colleges, post-4-year, and so on. But one relates and depends on the other.

I don't think the community college program can be successful if we don't have a strong elementary and secondary base upon which to train and bring these students into the community college effort.

I must say I, too, have an open mind. I want to give this committee every opportunity to have all of the data you have available. Perhaps there is more data you could supply us. I, personally, am not moved on the data we have thus far.

I also wonder if you are aware of the studies made on Micronesian education through research here in the United States. Do you have that material? Are you familiar with these research programs?

Mr. SETIK. Yes.

Senator HATFIELD. It seems to me we are talking about researching the educational needs in Micronesia. It is like government. I am not sure there is a continued need for research at this point, but to act upon what we already know.

I am not rejecting this out of hand, but I am not persuaded that we have a case made to my satisfaction as yet, that you have defined your objectives that well which you have attended to the bases, which are the primary and secondary systems.

I am most anxious to be helpful, but this is something we have to be very, very sure of, what our objectives are, where we are going, and what we are trying to achieve. I am certainly hopeful we can keep the record open, and if there is additional material on such you have to present in the way of research and data, fine. I am willing to receive them. I am sure the chairman is.

Having been in the field of education as my own profession, I must say I approach this with great interest, and the previous position to support a program, but also to know when you raise the expectations of people and do not deliver. That is tragic. I think these people in Micronesia have been too long neglected in terms of our responsibilities to them.

I want to move to fulfill those responsibilities, but to do so effectively and not reach out for some grandiose or popular project unless it is going to have a proper foundation.

Senator JOHNSTON. Thank you very much, Senator Hatfield. I know the chairman of the subcommittee, as well as the full committee will be most interested in your advice on this question, and I hope between now and markup, I hope we will have time to go into it more deeply. You can give us a particular insight with your educational background that so many of us do not have.

Thank you very much, gentlemen. We appreciate your testimony. We also will hold the record open for any further evidence you would like to submit.

[Subsequent to the hearing the following information was received:]

U.S. DEPARTMENT OF THE INTERIOR,
OFFICE OF THE SECRETARY,
Washington, D.C., August 7, 1975.

Hon. HENRY M. JACKSON,
Chairman, Committee on Interior and Insular Affairs,
U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: During the hearings held on July 23, 1975 regarding the authorization for the Trust Territory of the Pacific Islands, it was requested that we furnish a breakdown, by area of study, of the number of Micronesian students pursuing higher education outside of Micronesia. That breakdown as of June 30, 1974 was as follows:

Area of study :	Number
Education -----	281
Business -----	129
Arts and sciences -----	119
Health services -----	99
Social science -----	65
Legal -----	54
Other -----	64
Trade and vocational skills -----	34
Science -----	34
Agriculture -----	32
Engineering -----	28
Unknown -----	30
Total -----	969

In addition, a number of written questions were submitted by Senator John H. Glenn, Jr. The questions along with their answers follow:

1. q. Why is the device of "constant dollars" used?

a. The amounts requested to be authorized for the continuation of the government of the Trust Territory of the Pacific Islands are expressed in "constant dollars" so that they fully reflect the value of assistance to be received by the Trust Territory Government at the time of appropriation which could be as much as one and one-half years hence. Inflation has to some extent leveled off in the United States for domestic wholesale purchases but is estimated to remain at the double digit level in the Trust Territory. The problem is compounded by supply access difficulties for fuel in the Pacific area as well as increasing costs of shipping and unfinished materials for construction use. So that the Trust Territory can plan its future purchases and programs now, it needs assurance that the value of the dollars granted to it by the United States Congress will remain constant and thus in line with inflationary trends.

2. q. Does this \$80 million appropriated for each FY 76 and 77 include the \$14 million which is appropriated per-year for the next 7 years under the covenants, or is this in addition?

a. The \$80 million authorization requests contained in H.R. 7688 are to be used for recurrent expenses and capital improvement projects in all of the six districts of the Trust Territory in addition to the TTPI headquarters function.

The "Commonwealth Covenant" relates only to the Marianas District and is the keystone of that district's future political status if approved by the Congress. It is not anticipated that the financial provisions of the Covenant (the \$14 million annual grant) will go into effect until FY 1977 or 1978. In either case, the amount requested to be appropriated for the Trust Territory's remaining five districts and headquarters will be proportionately scaled down to reflect the new separate assistance to the Marianas district.

3. q. How are these figures computed by the Administration?

a. Please see answer to question number 5.

4. q. What checks, audits, etc., are there on how the \$80 million is being spent?

a. Initially, the Trust Territory Government submits a proposed budget within ceiling limitations established by the Department of the Interior and the Office of Management and Budget. After the funds are made available to the Government of the Trust Territory, that government's internal audit section has the responsibility to see that the moneys are spent correctly. In addition, the United States Congress in Public Law 93-111 extended the duties of the government comptroller of Guam to cover the Trust Territory of the Pacific Islands. The comptroller issues an annual audit of the Trust Territory Government, the first of which was published in March of this year. The Committee has been furnished a copy.

5. q. Is there a detailed planning document showing how the proposed \$80 million will be spent?

a. Yes, there is such a document. It has been furnished to the Committee.

6. q. What is being done now to develop sensible long-range planning?

a. Long-range planning has been a part of the Trust Territory administration since the mid-'60s when Hawaiian Architects, Inc., was commissioned to present long-range plans for each of the TT's district centers. We now have those plans plus long-range plans for other major islands. The Committee has copies of these plans.

7. q. Is there an Interagency Task Force investigating conditions for public works plans? Why?

a. The Task Force on the Trust Territory of the Pacific Islands has just returned from more than a month in the territory. It is a departmental task force which is investigating the concerns of the Senate Interior Committee under the administration of the public works program in the Trust Territory. The task force is hoping to provide responsive answers to the questions raised by the Committee last March. A report will be forthcoming in the near future.

8. q. Will you be ready to provide detailed plans in the future?

a. As indicated in the answer to question number 6, detailed long-range development plans have already been presented to the Committee.

Sincerely yours,

Director of Territorial Affairs.

Senator JOHNSTON. Next, we have Dr. Joseph Mathews of the Institute of Cultural Affairs.

Dr. Mathews, we are glad to have you. Proceed as you like.

STATEMENT OF DR. JOSEPH W. MATHEWS, CHAIRMAN, THE INSTITUTE OF CULTURAL AFFAIRS

Dr. MATHEWS. Mr. Chairman, the Institute of Cultural Affairs is appreciative of the opportunity to discuss briefly before this committee the nature and needs of the Marshalls Human Development project relative to its worthiness for direct Federal funding.

Senator JOHNSTON. Would you tell us first of all, the Institute of Cultural Affairs is not connected with the Micronesia Government or the Federal Government at all, except for studies, is that correct?

Dr. MATHEWS. That is correct. The Institute of Cultural Affairs is a nonprofit operation chartered in the State of Illinois, although we work in some 100 installations, and do community development pro-

grams in many different places. We receive our funding from foundations such as Rockefeller, such as Ford. Our programs are funded by government agencies on the Federal, State, and municipal level. Church bodies fund us, individuals fund us.

The Marshallese people, both in the public and private sector, have invited us to be consultants for a community development project on the local level, which is their own project. The project holds together both the economic development and the social development of the people, which we believe, if they are not done together, you might as well save your effort.

So I want to talk very briefly about that. You have the written document before you. I will try to follow that closely, but be brief.

The Marshallese people have a great heritage, as you know. Their ancestors built a most remarkable culture on those some 2,000 islets in the heart of the Pacific Ocean.

Now, like any developing people, they are suffering transition, first of all from a subsistence economy into a market economy, and second, during the occupation of an influence of the Spanish, and the Germans, and the Japanese, and now of the Americans. Their ancient social fabric faded away, and new social structures that must come are not yet born. It is in that context that they have for years seen the need of a community development program on the local level. I am also persuaded in many developing peoples that such programs must be conducted upon the local level.

One of the basic principles with which we operate also, is that such a project has to be comprehensive. If you pick out some small problem, or large one even, and the Marshalls district of the trust territory has many, many problems that can be isolated, such as health and education, and unemployment, and a 9 to 1 deficit imbalance between export and import. We believe if you do not attack all of the discernible contradictions or issues in a delineated area, it is not putting proud flesh over a deep wound. We also believe the public and private sector must work together if such a project is to be effectively actuated.

I think in the last 30 years, as all of us know, our Government has reason to be somewhat embarrassed about not what we have done in the trust territory, but what we have not done. What I really think is the reason for that is our Government tried to do it by themselves without the assistance of the private sector.

My point is, this project is geared toward both the private sector in the Marshall Islands and the public sector, including our own Government, as well as their governmental offices.

Senator JOHNSTON. Let me interrupt there to say I don't necessarily share that view, we have a reason to be embarrassed. I think we have a reason to want to do much better, but I think we have done remarkably well considering what this Government has done in the TTPI, in the amount of money we have provided, the amount of self-government, and the education, health, and the infrastructure we have provided. Not perhaps in the best way possible, but in any historical context, I think clearly we have done more than any Nation on the face of the Earth in any like situation.

Dr. MATHEWS. Mr. Chairman, I would subscribe to that. I am really directing attention toward—I smile a little bit, because I firmly believe, for whatever series of reasons, the people of our Nation aim

high. That is what I wanted to communicate here in the statement. Our program there is geared precisely in the direction you indicated.

Senator JOHNSTON. Let me also interrupt. The staff just handed me a comparison of assistance to the trust territories, comparing TTPI, which had \$644 per capita in 1973, which compares to \$77 for New Guinea, and you go down to \$4, \$7, \$1, \$8, \$6, and \$7, from Western Samoa, Cameroons, Nigeria, Ghana, Togo, Somaliland, and so forth. I just want to get that into the record.

I think we have done remarkably well, and we are tremendously generous. My conscience for my country does not bother me at all on the amount of financial aid received by the TTPI.

[The comparison referred to by Senator Johnston follows:]

COMPARISON OF ASSISTANCE TO U.N. TRUST TERRITORIES

	Population	1973 per capita assistance
Trust territories:		
1. Papua New Guinea	2,500,000	\$77.20
2. TT Pacific Islands	115,000	644.34
Former trust territories:		
1. Western Samoa	146,000	4.72
2. Cameroons	5,786,000	7.20
3. Nigeria (northern part of British Cameroons joined Nigeria)	56,510,000	1.05
4. Ghana (British Togoland joined Ghana)	8,856,000	4.10
5. Togo	2,000,000	8.56
6. Somalia	2,800,000	6.95
7. Tanzania	11,000,000	7.88
8. Rwanda	3,700,000	7.09
9. Burundi	3,615,000	4.20
10. Nauru	6,768	None

Source: Development Cooperation, 1974 review.

Senator HATFIELD. Mr. Chairman, may I interrupt also. I would like to make an observation, too. I don't disagree with either the witness or the chairman, except to bring up another dimension. I think we have to look beyond the so-called dollars. I think what we find ourselves doing in this country time after time, unwittingly, and sometimes because of the absence of a sound program, is that we think money is the solution rather than being a tool to reach a solution to a problem.

I think the money here, much of it has been wasted. What we have created, more than not, is a dependency upon American dollars in a paternalistic manner, rather than building infrastructures that are going to make the people self-supporting, people who are going to stand on their own two feet. I would hate to consider what they would do if we would remove the political payments on the political payrolls. I don't think hiring people to work for the Federal Government is building the kind of economy we should have in some of these areas, by stimulating their local skills and local resources.

I don't believe I disagree with either one of you, but I think we are going to get to the basic think here Dr. Mathews is presenting, and that is, rather than just continuing to make them dependent on the outflow of American dollars, but create an economy, an indigenous economy not based upon political, governmental bureaucracy.

Senator JOHNSTON. I agree with you, too.

Dr. MATHEWS. I find myself in agreement with both of you also. I think, as I described, the actual program you will see, what we are concerned with is effectivity of the efforts already put in there, and I think all of us could agree on that.

I want to underscore the fact, this is a Marshallese program. I hope the other leaders of the Marshall Islands who are here, Mr. Kabua, Mr. Hermios, and Mr. Narruhn, and when they are introduced, perhaps you can ask them some questions. But, the program I am going to describe represents the dreams of the Marshallese people in the years especially since the war.

KITCO Co. was a defunct company, as many companies are in the Marshall Islands, and the ICA was first invited to the Marshall Islands to send an accountant and manager to turn the company around, so now it is a profitmaking corporation. And this can be done to other companies in the Marshall Islands, as well as in the trust territory at large.

As a result of that, the board of directors of KITCO, along with other local leaders in the Marshall District invited the ICA to set up a consultation. So we brought oceanographers, farmers, financiers, teachers, labormen, and sat down for 1 week with the leaders of the Marshallese people, and forged a comprehensive and inclusive model, relative toward the future after economics of self-sufficiency, after new relevance that would enable them to participate in the new world we are living in, and relative to ways and means of how they could adequately train themselves to do that kind of participation.

As a result of that consultation, you will that the end of the statement summarizes that, the emphasis is on effective training, on effective social dynamics, and on effective acceleration of the economic dynamics of their culture. Now those, you might call goals. But goals do not do a job.

The next chart transposes those directives into tactical systems which insure the actuation of the model itself. I will not go into detail, but you will notice they are divided into ones that emphasize more the sociological and those that emphasize more the economic, although each one of them is interrelated.

I will mention, too, one is the ferry system. We believe without a wave of people and small goods to regularly flow among all the 23 inhabited atolls and islands, there is no chance for the development of any other program. With the help of the district administrator we took a copra boat and got some of the leaders of the Nitijela and the business community, and went to some of the outer islands. What you have heard is not quite as bad as it is. I would like to say, if you break a leg on the outer islands, you might as well shoot yourself. The doctors don't want to go there, because they don't know if a copra boat is going to come by in 2 months or 2 weeks to take them off. The teachers or the administrators don't want to go to the islands for the same reason. The businessmen do not want to go to the outer islands.

I don't want to take up too much time, but I went to Likep, which was a glorious small community years ago. You would cry if you saw it now. I have never been to Jaluit, and I don't think it is quite as bad, but it at one time had a glory, and if you can feel from the local man up, you will get some idea of the ferry system—

Senator JOHNSTON. What was the glory they lost?

Dr. MATHEWS. It had a Portuguese influence. The architecture on the island is shocking. There are large numbers of people there. They had one of the finest schools in that part of the world, the Roman Catholic Church ran. Now the people are stocked into Lib Island and Kwajalein Atoll.

Senator JOHNSTON. When was that?

Dr. MATHEWS. That began after World War II, of course, when that became——

Senator JOHNSTON. When did they have the good culture there?

Dr. MATHEWS. It began to happen in the last part of the last century. What developed from that time forth is a remarkable thing to behold.

Senator JOHNSTON. What was the basis of the trade there?

Dr. MATHEWS. They did copra, and on those days, Mr. Chairman, they were on an entirely subsistence type economy; that is, they could live there and live well. That is gone. There is no romantic return to the culture of the past. They have to adjust themselves to the modern world, or they have no future like you and myself. It is a remarkable place.

Senator JOHNSTON. You speak romantically about return to a life-style that was better.

Dr. MATHEWS. No, I do not. If you don't mind my saying there is no return to it, there is no return. We cannot in the Western World overlook the fact that there are other cultures in another age that would not work today. They cannot go back. It is all gone except their memory, and they can use that toward the future.

Senator JOHNSTON. They cannot go back because of what they have learned?

Dr. MATHEWS. That is right. And I have talked to people who think they could go back. No. That is part of the burden of us in the United States, is to help them move into the future.

Now, a ferry system is as important to the Marshall Islands as a bus system in Tokyo or in New York City. Any other program without that will not work, in our opinion.

The second program has to do with youth training. The Marshallese people saw these things, these other plans. The next plan we had written up before we had the consultation. You can read it sometime.

The idea was to get a moth-balled LST. There is a fantastic one sitting out on Mare Island with a fully equipped machine shop on the old top deck. On the rear upper deck, as you may remember, there is a fully equipped carpenter shop. The idea of the Marshallese was to take some 300 or 400 of their youth who do not go to high school, as most of them do not, and half of them at least drop out of high school, to take these young men, put 25 old Marshallese copra hands on that ship, and go to the uninhabited islands, atolls and islands and the ones not fully harvested, and those old men teach the young men to harvest copra. At the same time, they could cut down the old trees.

Nobody knows whether there are 1 million or 3 million coconut trees that are 75 to 100 years old which have lost their virility. They need to be replanted. They could take soil analyses, they could mulch the undergrowth that keeps those trees from producing back. We believe those young men themselves, as well as getting trained to effectively

serve their peoples in the future, that you could increase the copra production threefold. Some of those islets have not been harvested since the Germans were there. This holds together the social and the economic.

Now I want to move directly to the economic. The first program you notice there, and I have left this full manual with the committee if anyone wants to read it, was called the "Copra Lagoon System." That is a system where on every one of the 23 atolls, you put a warehouse where the copra can be brought in out of the rain, and make it unnecessary for a copra ship to take 7 days or more going from islet to islet. And in the lagoon, you put a 5-ton boat that will enable the people to bring it together, and on the other end of that warehouse, you put a store where the people can have goods regularly. You'd be shocked.

Senator JOHNSTON. Is there a long-term market for copra?

Dr. MATHEWS. I believe there is; however, we are going to have to work with certain peoples around the world in research and people who use the oils to have some kind of guarantee relative to the future. Right now, it is the only export they have.

I will not talk on this, but it could very well be those people are going to have to make their own oil in the future. We could go into that in detail if you want.

In those stores, they have cash, where the people are paid in cash, and not with chits, which cuts down copra production and does something to the mental image the people have of themselves. Without such a system, I do not see how the Marshallese can even begin to move toward overcoming the deficit import-export balance.

Senator JOHNSTON. Let me point out the copra stabilization board has voted to reduce the price of copra for the third time this year. The new price reduction is the result of declining sales prices in the world, and even this, it continues to lose money. I have been aware of declining copra sales because of substitutes and the declining demand. Are you confident we can build up a market and build an economy around copra?

Dr. MATHEWS. Yes. And I believe the Philippine Islands are pioneering a way in that direction for us. But let me say this. You are going to have that stabilization board for a while at least in order to be able to do this. The price has come down dramatically, and that is somewhat crushing to the people. But we want methods so that they can keep on, to install methods where they can have an easier amount of labor, they can keep producing the copra and produce more of it, even though the price has gone down. I believe that only 10 percent of the copra in those islands is now being harvested.

Senator HATFIELD. Could I interrupt for a moment? I would like to interject one point. I understand one of the competitors to copra and one of the substitutes for that is whale oil, and therefore, with the growing concern among some of the nations of the world about the whale population and clamping down on harvesting of the whales, it could well be the future will see a whole different situation than we are dealing with now as far as copra is concerned.

Dr. MATHEWS. From the point of view of economics, you write the Marshall Islands completely off. But local economy has to be considered also. Those people have to live. We have a choice, dole, or

help them toward economic self-sufficiency. I prefer assistance rather than dole.

Senator JOHNSTON. I think that is a good and very strong conclusion.

Dr. MATHEWS. The last program has to do with small industries. We would like to bring 24 small industries into the Marshall Islands in the next 2 or 3 years. Our principle relative to local economic planning is to increase the export status. For instance, we are going to look hard for a second crop under those coconut trees. If you are thinking of millions or billions of dollars, that has nothing to do with that. Those people still have to live and have a local economy if they are to build self-respect.

The second principle is to keep as many dollars in the Marshall Islands that come there as possible by producing as many of the local goods that you possibly can. This is what the small industries do.

An industry such as a sawmill, which will make the lumber out of old coconut logs, the bottom two-thirds of it after it is 70 years old, a prefabricating plant, a small plastics plant, a small ironworks plant, a demonstration land farm, and a small multipurpose repair center, small multiusable cannery. You can begin to see when the Japanese catch tuna outside the Marshall Islands, ship it to Japan to be processed, ship it to the United States to be canned, and ship it back out to the Marshall Islands at prices you and I would not deem of paying. But they need that kind of a program.

I will stop with that, except to call your attention to the projected funding on the last sheet. We are again using the principles of private and public, although we put the budget together in terms of the non-Federal funds and the Federal funds. The whole program for 1 year will cost close to \$4 million, \$2 million of this is private money. You will notice the private money as an income from the local Nitijela, that is, the legislative body of the local Marshall Islands district. They do not have too much money, but they are going to participate, which is crucial in our opinion.

Second. The program you start will generate some moneys for their own support.

Third: From the private sector are the businessmen in the Marshall Islands who will borrow money with the help of SBA and the like in order to fund the necessary programs.

Senator JOHNSTON. Thank you very much, Dr. Mathews. This is a most interesting program. I would frankly like to talk to you all morning about it, but we have got to move on. But your conclusions are excellent ones.

If we can find a way to effectuate that and make the Marshallese self-sufficient, bring private money in and develop an infrastructure of small businesses around the copra business, then we will have done a tremendous thing for the Marshallese.

Thank you very much for your testimony.

Senator HATFIELD. May I say I have never had the privilege of knowing Dr. Mathews and his Institute of Cultural Affairs, and I am deeply impressed by the depth of his understanding of these problems and the practicality of his proposals. I want to go on record as saying I want to do everything that I can to help them get this kind of a movement of activity going on in the Marshall Islands. I think it is one of the answers for one of the problems.

Senator JOHNSTON. Next we have Hon. Amata Kabua.

STATEMENT OF HON. AMATA KABUA, SENATOR, CONGRESS OF
MICRONESIA, ACCOMPANIED BY JUDGE KABUA KABUA, MAR-
SHALL ISLANDS DISTRICT COURT; HON. NAMO HERMIOS, MAR-
SHALL ISLANDS LEGISLATURE; AND FRED NARRUHN, GENERAL
MANAGER, KWAJALEIN IMPORT AND TRADING CO.

Mr. AMATA KABUA. Mr. Chairman, if I may at the outset introduce the members of the Marshall Island delegation representing the leadership of the people of the Marshalls in matter relative to this hearing.

At the far left is Hon. Namo Hermios, vice president of our legislature. The gentleman sitting next to him is Hon. Kabua Kabua, who is the presiding justice of our district court, and also one of our paramount traditional leaders. At my immediate right is Mr. Fred Narruhn, one of our business leaders, and business manager of Kwajalein Import and Trading Co. At my left is Hon. Ataji Balos, who is a member of the House of Micronesia, and chairman of our congressional delegation in the Marshalls. My name is Amata Kabua, member of the Senate of the Congress of Micronesia, and also chairman of the Marshall Islands Political Status Commission.

Mr. Chairman, we in this delegation wish to thank you and your distinguished colleagues for the opportunity extended to us to appear before your committee to support the project proposal submitted earlier by Dr. Mathews and the request for funding needed for implementation of the projects.

Mr. Chairman, last week, the leadership of the Marshall Islands met and reviewed the work of the Institute of Cultural Affairs, and particularly the proposed Human Development Project for the Marshalls. The leadership, having reviewed these matters, decided to give full support of the project and their request for its funding.

The leadership has been very much receptive of this type of development which recognizes the real needs of the people in trying to improve their social and economic well-being.

The Institute of Cultural Affairs is a consultative body which has been serving our legislative body in the public and private sectors. Growing out of our association and work with ICA, two catalytic institutions; namely, Trans-Atoll Service and the Marshall Community Action Agency, have been established, and are now effectively functioning to catalyze the economic and social development of the Islands. These institutions are owned by the people, with the goal of extending needed service to the people of the rural and outer island communities which have not been fully enjoying the steady flow of their staple needs, socially and economically.

I would be remiss if I do not mention our great concern about our youth, those who cannot have secondary education, and those who have completed their high school education. We feel there should be some industrial development to accommodate them. And this \$1.8 million proposal deals with concern, which may result in tragedy to us in the future.

Mr. Chairman, the people and the leadership of the Marshalls believe strongly with financial assistance from the U.S. Congress and the consultative and technical assistance of the ICA, the results gained from the implementation of these projects will be most beneficial to meet the crucial needs of our people. The results, we feel confident,

Mr. Chairman, will be something that both the American people and our people will be pleased and proud of.

Mr. Chairman, our delegation on behalf of the leaders and the people of the Marshalls, sincerely urges your favorable consideration of this fund request. This will begin to help our society help itself.

Lastly, Mr. Chairman, and honorable members of this committee, I would again like to thank you very much for the privilege and the opportunity for us to participate in this hearing. We shall be most pleased to answer any questions that we can answer among ourselves. Or if not, we may refer them to other people who can help us.

Senator JOHNSTON. Thank you very much.

The private sector moneys you have specified here, are those firm, that you could get those moneys? Perhaps you ought to come up, Dr. Mathews, and sit in on the panel. Are these moneys firm, that you can get that?

Dr. MATHEWS. These are mostly in the form of loans that the local business community take upon themselves with the assistance of working through banks and with the assistance of SBA, and the assistance of the private sector putting up security money.

Senator JOHNSTON. I am wondering how much of that is insured money, Government insured, and how much is really private money?

Dr. MATHEWS. 50-50. Even so, if the Government backs me up as a businessman working with a bank, that is an obligation from my point of view that I take upon myself. I pay back that bank. That is why it is considered private money. It is with the help of the Federal.

Senator JOHNSTON. Most of these things are independent of one another, are they not? For example, your elders tourism program would be independent of your repair center or your oil plant, would they not?

Dr. MATHEWS. Yes, sir.

Senator JOHNSTON. We would not have to necessarily, if we go into the program, we would not necessarily have to go to the extent of \$1.8 million. We could go for a part of that and not hurt any of the component parts of the program, is that correct?

Dr. MATHEWS. Mr. Chairman, to answer that, of course you could do any part of that. But we feel if one part of that program is left out, you would miss the whole program. So therefore, we would try to find some other way to do it, to do any program that wasn't funded.

Senator JOHNSTON. How many years would this kind of program require our support?

Dr. MATHEWS. You will notice it is phased out. \$1.8 the first year, half of that, \$0.9, and half of that the third year. By the fourth year, we believe the normal flow of moneys into the trust territories, plus the generation of economic flow within the local community would take care of the whole program. It would be three times. By the fourth time it will handle itself. That is our estimate, and we believe it is sound.

Senator JOHNSTON. This is a very interesting program, and we will give it very careful study. I have not read this program, I am sorry to say, but I will by the time we go into markup on this bill, and I can promise you a very sympathetic consideration of it.

Thank you very much for being with us this morning. It has been a very instructive program.

By the way, Dr. Mathews, do you have any views on the college we were talking about earlier?

Dr. MATHEWS. Yes, I have. I think in the long run, such a program is necessary. I believe it should be started out in a 2-year school and see what happens. Then, I believe, enough support money needs to be put into it that where there can be a new kind of educational process relative to developing peoples, and more than just the technical or vocation. But with the state of education in the world today, particularly with developing countries, I believe if our Government does it, they ought to do enough sustaining money through the first few years of it that it can be a crucial experiment in education. Then at the end of 2 years, I agree with what some of the committee indicated. It is crucial for the Micronesians to get out of Micronesia, just like it is crucial for any one who lives in Chicago to get out of the United States.

Senator JOHNSTON. Thank you.

[Whereupon, at 12:05 p.m., the hearing was adjourned.]





