Statement of John A. Carver, Jr., Assistant Secretary of the Interior, before the Territories and Island Possession Subcommittee, Senate Committee on Interior and Insular Affairs, February 27, 1963

Mr. Chairman and members of the Committee:

When Congress directed the dissolution of the Virgin Islands Company, and created the Virgin Islands Corporation in 1949, it authorized the Corporation, among other things, to encourage and promote the investment of private capital in industrial, agricultural, and commercial activities; to engage in land-use planning to the end that the most economic and socially beneficial use may be made of the soil; and to engage in enterprises or business for the development of the industrial, commercial, agricultural and forestry resources of the Islands.

Congress put a time limit, or termination date on the Corporation's life of June 30, 1959, extended to June 30, 1969 by a 1958 amendment. Congress has further provided that at such time as the Board found that economic development would be served effectively by sale of some or all of its assets to private enterprise, such disposal might be effected, subject to a right of the Virgin Islands Government to purchase at a price not greater than that offered by the highest responsible bidder.

The President of the United States exercises his supervisory responsibilities through the Interior Department. But the Board is
autonomous, and selects its own chairman.

The interrelation of the activities of the Corporation with the welfare of the people of the Virgin Islands, and the Congressional nexus to the Territory itself under the Constitution, makes it not only appropriate, but requisite, that there be meticulous conformance with the requirements for effective legislative oversight. If the Department has been guilty of failure in this regard, it has not been by reason of disdain for the function, or philosophical disagreement with its desirability. Quite the contrary is the case.

In the very early days of this Administration it became apparent that the Corporation was not "tracking" with the other governmental organism for which we had responsibilities—the Virgin Islands Government. Purposes for which the VICORP was authorized—tourism and industrial development—were being carried on also by the local government. The Corporation's developmental role, indeed, had largely faded out, and operation and maintenance of the power facilities, the sugar growing and sugar grinding, and management of the Navy properties at a very low level of efficiency, characterized the Corporation's activities. Only the salt water distillation project, authorized specially by Congress, represented a new and vital role for VICORP.

There was a natural desire on our part to get to the base causes of the nagging criticisms of VICORP activities. We were
well aware of the frequently-voiced demands that VICORP be turned
over to "private enterprise". We were also aware of the 1969
termination date. The Congressional admonition that a sooner plan
of dissolution be worked out if that would serve the economic develop-
ment of the Virgin Islands was taken seriously.

Legislation for a transfer of VICORP assets to the territorial
government was proposed in the 87th Congress. Hindsight tells us
that perhaps the formal proposal should not have been made; it is
quite certain that the 88th Congress will not receive the same bill
from the Department.

Indeed any proposals we make this year will be without the
sanguinity we had last year. But the motivations of last year remain:
to conform with the spirit of the Congressional mandate for dissolution
and to achieve better coordination of the developmental responsibilities
of the Corporation with those of the territorial government. The
Territory of the Virgin Islands is as subject to Congressional action
as the Virgin Islands Corporation. Both are creatures of the Congress,
and the supervisory responsibilities of the Department over each are
not different in kind.

When it became apparent that consideration was being given by
the Board to proposals for transfer of assets to the local govern-
ment, quite naturally the local government—both executive and legis-
lative branches—began to consider proposals and programs which
contemplated use of VICORP assets.

Much of this planning centered around governmental programs--VICORP land was requested for the college; VICORP land was considered for public housing; and, on the somewhat humorous side, the Governor seemed to receive criticisms about power outages a little more understandably.

Of particular importance, in this connection, was the concern of the Governor and other local officials, about housing and other social deficiencies in the VICORP villages. For this was directly related to a growing conviction that the sugar economy might not be the best use for the VICORP land on St. Croix.

The review of this activity led to the conclusion that sugar, while the historic industry, did not offer promise for a dynamic program of economic development. It is a low-wage industry, utilizing primarily imported alien workers. It is entirely tied to rainfall, inadequate for assured good crops with high sugar content each year. The evidence was that its continuance requires substantial subsidy in the form of an annual deficit in VICORP operations.

Although some attempts at diversification had been made in the past, none had been on a large scale and none had achieved notable
success. Moreover, the chief and only asset at VICORP's command for economic revitalization in the island is the large block of land which it controls. So long as this is tied up in sugar production, with its unhappy history, the land could not be used to encourage the development of more viable economic alternatives.

After several meetings of the Board of Directors had been devoted to discussions of this issue, the Board last September authorized the management to invite proposals for private development of alternative economic uses of the land. This was done through public advertising of bid invitations. These invitations expressly reserved to the Board the authority to reject any or all bids. The intent here was to protect the public interest in two ways by: (1) assuring that the Federal Government received full value for the land and (2) avoiding disposal into a use which did not offer affirmative promise of an economic improvement over sugar production.

In doing this, the Board fully recognized that removal of a major part of VICORP's cane would reduce processing efficiency beyond the point where grinding could be continued. For that reason it gave notice to the private growers that cessation was under consideration and that operation of the mill could be guaranteed only through the current (1963) harvest season.
At the September 1962 meeting, therefore, there was neither a decision to close the mill in 1963 nor an authorization to dispose of land. There was a clear sentiment that sugar no longer represented the most effective contribution which VIGOR could make to the local economy and that commitment of the Corporation's assets to this activity should be phased out at a reasonably early date. There was also a clear decision that positive action should be taken to seek alternatives through soliciting constructive land use proposals from private enterprise.

It was fully understood at all times that no final action could be taken on any part of this program without further Board study and decision. The Board is also fully aware that, despite the broad authority contained in Section 4 of the VIGOR act, no disposal action would be consummated without prior disclosure and full discussion with appropriate committees of the Congress.

The Board met again on February 23 for the purpose of reviewing the bids received and to consider further the general policy and program related to sugar. There was full and extensive discussion of various factors and relationships. The designated spokesman for the private growers was heard and invited to submit more detailed data. It was concluded that information was not available on several points deemed to be critical by one or more Board members. Some of the members
were also of the view that an independent review of the compiled data by a recognized sugar economist would be useful. The Secretary of Agriculture, a Board member, was requested and promptly agreed to make the facilities of his Department available for this purpose, looking forward to a special Board meeting in the next few weeks.

There were two responsive bids received—one for the use of the land to develop a citrus growing and processing industry and the other contemplating resale in small tracts as truck gardening units. The former of these is regarded as having some promise as a viable substitute for sugar—but, I must advise, is not the high bid. Moreover, the Governor and Legislature of the Territory have devoted study to the matter and have concluded that so significant an item in the local economy should not be released from public control. Accordingly, the Government of the Virgin Islands has signified its intention to exercise its power under the Vicorp Act to meet the high bid and take the land in question. It has a tentative agreement under which the citrus proponent will carry out his plan under a leasehold arrangement which seems highly favorable to both the local government and the economy.

This is where the matter stands today. The Board desires to review again some of its basic assumptions on the viability of the sugar economy. The local government has taken action to authorize acquisition of the land if disposal is determined to be the proper course. The most feasible
alternative has a built-in time factor which requires that a decision be reached in the immediate future.

Accompanying me today are the Secretary of the Virgin Islands Corporation, Mr. Robert M. Mangan, who is also my assistant, and Mr. John J. Kirwan, Deputy Director of Territories. Both of these men attended the recently concluded Board meeting. Mr. Kirwan has special charge of Virgin Islands matters in the Office of Territories.

I hope that among the three of us, we can answer your questions.