

law provides that the subsidy based on income tax liability can be granted only with respect to income from the construction, ownership, or operation of new housing projects, factory buildings or hotels. In the case of the Harvey Aluminum subsidiary a nontaxable subsidy equal to 75 percent of the income tax liability over a period of 16 years is granted on the condition that the subsidiary construct and operate a plant costing \$15 million and produce at least 50,000 tons of alumina from bauxite ore.

Such substantial production is not considered a tax haven operation in the case of foreign countries even though the country in which the production takes place grants special write-offs, or reduced rates. Such operations in foreign countries would continue to obtain deferral under H.R. 10650. The Virgin Islands incentive program is comparable to those provided by many foreign countries.

A problem will exist, however, in making certain that the prices paid by the domestic parent corporation to the subsidiary for alumina to be further processed in the United States will not shift to the Virgin Islands income which is properly attributable to the United States. This problem, just as in the case of transactions between other related domestic and related foreign corporations, will be dealt with under the amendments to section 482 made by section 6 of the bill. The Virgin Islands government cooperates completely in providing the necessary information.

Sincerely yours,

STANLEY S. SURREY,
Assistant Secretary.

Mr. WILLIAMS of Delaware. Mr. President, I shall quote from the letter from the Treasury Department, in the case of a Harvey Aluminum Co., subsidiary, a nontaxable subsidiary:

In the case of the Harvey Aluminum subsidiary a nontaxable subsidy equal to 75 percent of the income tax liability over a period of 16 years is granted on the condition that the subsidiary construct and operate a plant costing \$15 million and produce at least 50,000 tons of alumina from bauxite ore.

Mr. President, in addition, I ask unanimous consent to have printed in the RECORD a statement issued by the St. Croix Chamber of Commerce released at the time the tax exemption was granted. The chamber of commerce of St. Croix vigorously denounced the special tax benefits being given to this plant and pointed out that the company was receiving an outright option on 700 acres of land which belongs to the people of the Virgin Islands.

There being no objection, the letter was ordered to be printed in the RECORD, as follows:

ST. CROIX CHAMBER OF COMMERCE.
Re Contract with Harvey Aluminum, St. Croix, Inc.

To the LEGISLATURE OF THE VIRGIN ISLANDS,
In Committee of the Whole,
Government House,
Christiansted, St. Croix:

The St. Croix Chamber of Commerce is vitally concerned with the welfare of the Virgin Islands, and especially with the island of St. Croix. We have assisted the promotion of industries for St. Croix, and have on

file letters of appreciation from many organization that we have assisted in their efforts to come here and establish their businesses.

Thus, it cannot be said that we are against industry coming to St. Croix. But, when a company does indicate its intention to come here, we investigate its plans and determine that its operation will be beneficial to the economic and overall structure of our island. Such an investigation requires a full knowledge of the company, its products, the process that will be engaged in here, and if it will be good for St. Croix now and for future generations. The Chamber of Commerce wholeheartedly indorses the principles outlined by the Governor in attempting to upgrade the employment available to our native sons and daughters, and will do everything in its power to help them advance in the economic and social scale. However, we have grave fears that the Governor may be badly mistaken in the results to be achieved by this particular contract. You, the legislators, are the ones who must answer to posterity and bear full responsibility for the results.

In the case of the present industry, Harvey Alumina of St. Croix, Inc., we have sought detailed information many times from the Governor of these Virgin Islands; from the company direct through Vice President S. Keith Linden; and from you gentlemen. Thus far, we have had a summary of the contract furnished as a press release, talks with Mr. Linden, talks with the Governor, all about generalities—and no detailed information, no copy of the contract and the supporting documents. Mr. Linden tells us

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that he is dealing with the Government of the Virgin Islands, not the Chamber of Commerce; the Governor says that certain matters in the contract are confidential, and that he must protect the interests of the Company against information that might leak out to their competitors; and further, that he cannot release to us and to the people of St. Croix, the contract and documents until they have been released first to the Legislature—and then become public property. We were last told this on Tuesday, February 6th, and since that time it has become apparent that delivery of the documents has been delayed from day to day. Last schedule we received was that they were to be presented to you on Tuesday, February 13th. It is very apparent that this move was to prevent free access to these documents until too late to study them carefully before tonight's hearing.

The Governor says that the Chamber of Commerce should have had a survey made long ago, in response to our request that time be granted now for research by the Arthur D. Little Co. He well knows that the facts from the principals were not made available to anyone. These facts are the basis from which the survey could be made.

Now, if this alliance of the Virgin Islands Government and a private enterprise was an outright straight business deal, in which the company proposed to pay a fair price for what the Virgin Islands has to offer and they were prepared to establish themselves in accordance with our laws controlling industry, availing themselves only of such tax advantages as are open to all that qualify under our tax exemption program—there would be little reason to question their mo-