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COST OF LIVING ALLOWANCES

GOVERNMENT

(Virgin Islands and Puerto Rico)

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HEARINGS

BEFORE THE

SUBCOMMITTEE ON

COMMITTEE ON POST OFFICE AND EMPLOYEE BENEFITS

OF THE

COMMITTEE ON

POST OFFICE AND CIVIL SERVICE

HOUSE OF REPRESENTATIVES

NINETY-FIFTH CONGRESS

SECOND SESSION

FEBRUARY 10 AND 13, 1978

Serial No. 95-71

Printed for the use of the
Committee on Post Office and Civil Service



U.S. GOVERNMENT PRINTING OFFICE

WASHINGTON : 1978

31-371 O

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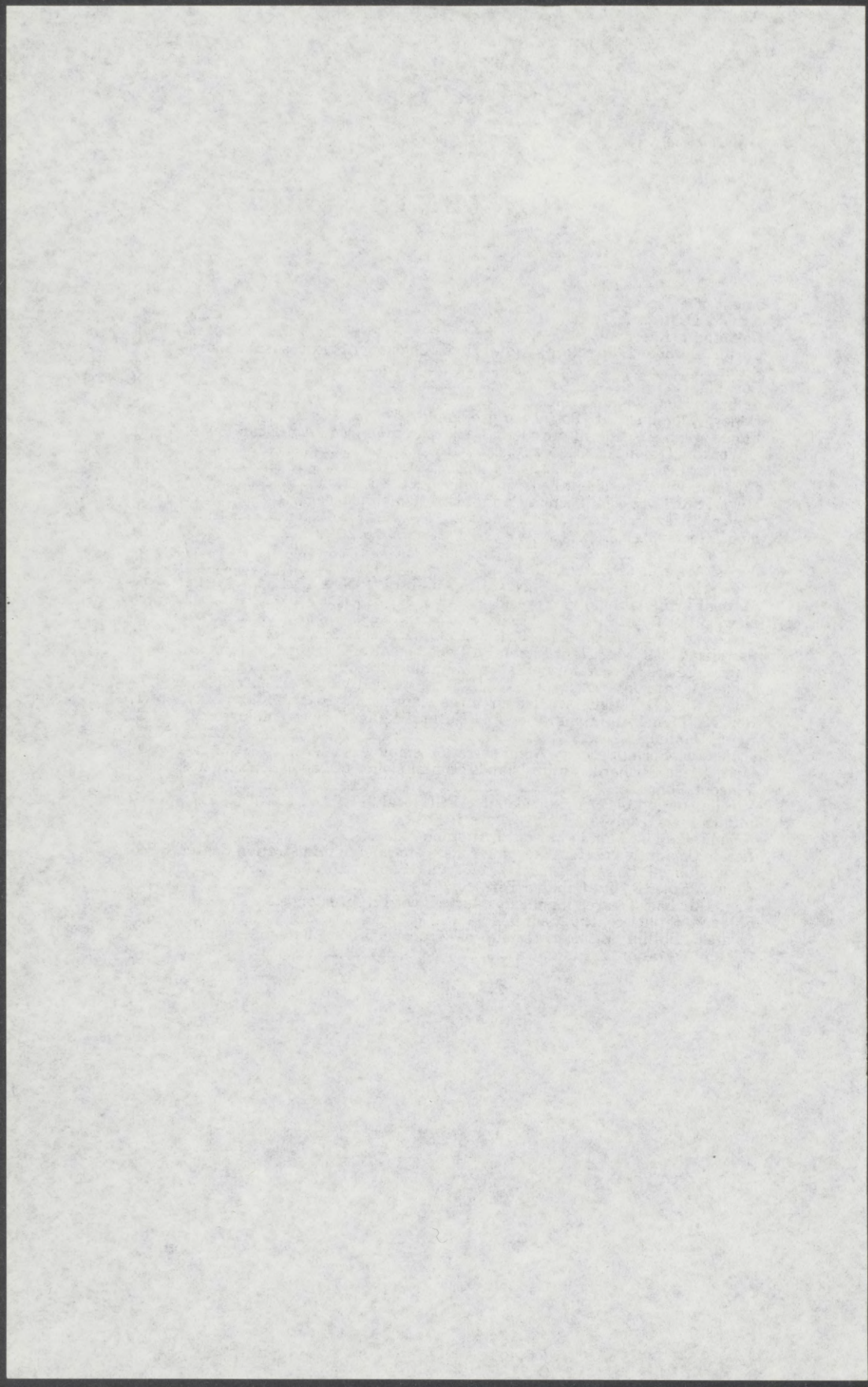
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(Ron McCluskey, Subcommittee Staff Director, Room B-345(d) Rayburn Building—Ext. 56831)

CONTENTS

	Page
Statement of—	
Arnold, Oran	32
Calvesbert, Robert J	86
Carter, Dorene E., director, Virgin Islands Consumer Services Administration	34
Corrada, Hon. Baltasar	38
de Lugo, Hon. Ronald	2
Edney, Adolphus, U.S. Postal Service employee	28
Flores, Juan A., general president, Caribbean area local, American Postal Workers Union	52
Gardner, Leo	26
Guzman, Luis, president, Federal Employees Association	67
Hayes, Shirley, Social Security Administration employee.....	14
Henson, Alex	32
Hobt, George	64
Jackson, Peter.....	31
Jones, Artie	33
Kleiderlein, Carmen A., U.S. Naval Hospital, FPO, New York.....	81
Lewis, Elwin, national vice president, AFGE	60
Newby, Dorothy	85
Ortiz, Lina F.....	86
Paradis, Violeta, assistant secretary, Department of Consumer Affairs	44
Quiros, Carlos S., secretary of labor and human resources	41
Riefkohl, Otto Jose.....	83
Rivers-Rios, Dr. Miguel, chairman of the planning board	47
Roberts, Lionel A., Immigration and Naturalization Service employee.....	20
Rossi, Dante.....	34
Swanson, Carl, Social Security Administration employee	10
Upson, Hon. Richard, Virgin Islands Commissioner of Labor	3
Vincent, John.....	33
Virella, Jorge Luis Ortiz, president, AFGE local 3118	57
Communications from—	
Arnold, Paul J., Martin Marietta Alumina	36
Action Committee of Housekeeping Aids, Veterans' Administration Center, San Juan, P.R.	82
Akers, Jasper J., Jr., Caparra Terrace, P.R.	84
Fenn, Michael T., area manager, Puerto Rico, Virgin Islands.....	79
Saldana, Francisco, Rio Piedras, P.R.	82
Swatek, Phillip M., Department of Transportation, Federal Aviation Administration, Atlanta, Ga	80



COST OF LIVING ALLOWANCES

FRIDAY, FEBRUARY 10, 1978

U.S. HOUSE OF REPRESENTATIVES,
COMMITTEE ON POST OFFICE AND CIVIL SERVICE,
SUBCOMMITTEE ON COMPENSATION AND EMPLOYEE BENEFITS,
Washington, D.C.

The subcommittee met in Christiansted, St. Croix, Virgin Islands, Hon. Gladys Noon Spellman presiding. Also present were Delegate Ronald de Lugo, from the Virgin Islands; Ronald McCluskey, subcommittee counsel; and Mr. Harris, from the Office of Management and Budget.

OPENING STATEMENT OF CONGRESSWOMAN GLADYS NOON SPELLMAN

Mrs. SPELLMAN. The meeting will come to order. We are convened this morning to begin the first of 3 days of oversight hearings on the alleged problems of the formation and disbursements of the cost-of-living allowances, which we affectionately refer to as COLA. We are going to be concerned with COLA as it pertains here in St. Croix, in St. Thomas,¹ and in Puerto Rico. As we understand the present law as outlined in title 5 of the United States Code, section 5941, cost-of-living allowances may be granted to Federal employees stationed outside the continental United States when it is found that living costs are substantially higher than those in Washington, D.C. However, the COLA allowance may not exceed 25 percent of an employee's base pay, and is to be paid in accordance with regulations prescribed by the President, who has delegated that authority to the Civil Service Commission.

Legislative history shows that the existing law relating to COLA was passed in 1948, and that it was in recognition of the fact that additional compensation was necessary to attract employees to areas which had especially high living costs. It was thought that the cost-of-living allowance would enable employees to purchase goods and services, and to achieve a standard of living equivalent to that which the employee might maintain in the Washington, D.C. area. This was to be with his base pay alone. Anything above what it would cost to live in Washington on base pay would be added by what we refer to as COLA. So, the concept of COLA is basically pay related to an employee's needs, and it must necessarily bring into focus an employee's marital status, number of children, income level, geographic location, housing preferences, and so forth. As I pointed out, Washington, D.C., is always the base factor.

¹ The hearing held in St. Thomas on February 11, was not received in time for this printing.

Specifically, then, the subcommittee is holding this hearing here because it has been seriously contended by your Representative, Mr. de Lugo, and incidentally backed up by a voluminous number of letters which have been received by our subcommittee, that the allowance process, as presently administered, is not only extremely distorted, but discriminatory, and thus, cannot achieve its intended purpose. These employees point out that the survey used to determine the percentage of the COLA adjustment is based on a family of four, that is a husband, wife, and two children, that it is only sent to male heads of households. As a consequence, the survey, it would appear, reaches less than 50 percent of the Federal workers in the Islands.

Our subcommittee has been informed by the staff of the Civil Service Commission that the family model of four presently in use was developed from statistics they received back in 1960. We all know that a great many things have changed since 1960, including the fact that Government statistics today indicate that the U.S. divorce rate in running very, very high. It is running today—I hate to use the word “better,” I’ll use “more” than one out of every two marriages. I disapprove of that. I wouldn’t let my husband get away. Also, the National Commission On Working Women located in Washington, D.C., recently stated that 40 percent of today’s heads of family households are single men and women. So, with all of that behind us, we will be calling on our first witness.

Before I do that, I do want to point out that Mr. Harris, who is here from the Office of Management and Budget is here because they too are especially interested to learn what we will be hearing, and because when the decisions are made by the Congress, they then go on to the administration, and we are attempting to work together. You know, for years it has been said that the Office of Management and Budget was composed of the abominable no-man, and that is not the case today. We have people who are anxious to work with us who are giving absolutely fine cooperation to the Congress. We are especially proud to have him. Before we start the hearing though, I would like to turn to my colleague, Mr. de Lugo, who knows far more about the subject than I ever will. Ron?

OPENING STATEMENT OF DELEGATE RONALD DE LUGO

MR. DE LUGO. Thank you very much, Madam Chairman. Madam Chairman, first of all, let me preface my remarks by saying something I am very serious about. It may sound as though I was kidding, but I hope to be very serious. It is an act of political courage for you to come down to hear about the very difficult problems that the Federal employees face in meeting the high cost of living in this U.S. territory, and I know they are going to make their own case today and tomorrow in St. Thomas. I would like to point out to the audience here today that one of the most difficult problems I face is getting congressional committees that have responsibilities in areas covering various segments of life in the Virgin Islands, to come down to the Virgin Islands. When they do they are inevitably criticized for coming here because we have sun and seas. Obviously, we are indoors right now, and we are starting early in the morning with these hearings. This committee is down

here on a serious matter. However, I do hope you will enjoy yourself in the Virgin Islands at the same time.

Mrs. SPELLMAN. If I do, I will never tell a soul.

Mr. DE LUGO. I deeply appreciate your presence here today along with members of your committee. We are confident the hearings will be successful, and I sincerely hope you enjoy your stay here in the Virgin Islands. We are especially pleased that the hearings are being conducted in the Virgin Islands because we accept this as an indication that your committee has taken as serious the conditions affecting the cost-of-living allowance granted to the Federal workers here in the U.S. Virgin Islands.

We are grateful for this awareness on your part, Madam Chairwoman, as it represents the culmination of years of effort on the Federal workers' behalf. Indeed, this has been one of my concerns since I first came to Washington as our territory's representative. I might say this is one of the first problems that faced me when I went up there originally, before I went to Congress, when I was the Virgin Islands representative to Washington. In fact, it seems we were just setting up shop downtown in Washington when the cost of living was wiped out in the Virgin Islands. Some of you may remember that, and we had to go to work there. That was an incredible injustice.

We got it reestablished, and we have been having difficulties ever since. We urged then the legislative review that is now taking place. It is a credit to you, Gladys, and to your colleagues, that you have undertaken such a review in our offshore territories recognizing that a system of weighted expenditure that is accurate and effective as it is developed in Washington, D.C., is not likely to reflect the unusual circumstances in reflecting the workers in the Virgin Islands. I will not take the time of this committee to recite the history of the cost-of-living allowance, as I believe that the issue involved will be adequately—in fact, I believe, strongly and distinctly discussed by the witnesses appearing before you today and tomorrow.

I wish only to say that my staff and I have worked closely with the Federal workers here in the islands and have engaged in the continuing dialog with the Civil Service Commission. On the basis of all that I have learned, I fully endorsed the need for a cost-of-living allowance that truly reflects the extremely high cost of living here in the Virgin Islands. Thank you.

Mrs. SPELLMAN. Thank you very much. I will not be missing too much back home, because my 4-year-old grandson has made a snowman which he put in the freezer. If I get back and all the snow is gone, I will still get to see that snowman. I wanted to bring you folks some. I feel sorry for you. You have not had any of the blizzards that we have had back home. You have been able to open your front doors without being inundated with the snow. I really feel sorry for you. Our first witness today is Hon. Richard Upson, the Virgin Islands Commissioner of Labor.

STATEMENT OF HON. RICHARD UPSON, VIRGIN ISLANDS COMMISSIONER OF LABOR

Mr. UPSON. Congresswoman Spellman, Congressman de Lugo, Mr. Harris, Honorable Counsel—

Mrs. SPELLMAN. I am sorry, I did not introduce you to Mr. McCluskey, who is our counsel par excellence.

Mr. UPSON. Welcome to the Virgin Islands. He dresses well, too. I have to start off in bad form with an apology. I just returned from a junket to Washington, D.C. I was in the middle of the blizzard of 1977, or the second blizzard and, as a result, I got back to the Virgin Islands on the courtesy of the American Airlines only to testify here, and I got in my mail, that I opened last evening, a letter from you saying that I needed a formal statement in 30 copies. I understand there were 10 in your hands yesterday, and since I only got here yesterday, I don't have it.

I will have it ready typed tomorrow before the committee leaves here. If that is acceptable, I would like to testify. I think, as it is known by the committee, there will be two people testifying from the Department of Labor. I am testifying here, and Mr. David Barber is testifying in St. Thomas tomorrow. He is representing our bureau of statistics, so you have a situation where today is amateur day, and tomorrow is professional day. Mr. Barber is a well-informed, articulate, young Virgin Islander who will represent the Virgin Islands in the factual information we have of the surveys we conduct, and go over the history of those reports and interpret them to the extent that the subcommittee would like to hear from him. Since I don't want to overlap in terms of testimony, I will touch on just a couple of areas of interest; particularly, some areas I think might not be covered by other witnesses.

First, we don't have a Consumer Price Index in the Virgin Islands as the Bureau of Labor Statistics has in the United States. We do have two limited C.P.I.'s, one of which, fortunately, keys into the Washington, D.C., area and covers food, and that is updated through 1977. Mr. Barber will testify specifically to it. It is obviously, in all areas, a very poor factor, and particularly in the Virgin Islands where we import practically all of our foods. The second C.P.I. that he will testify to is a more inclusive one which covers shelter, utilities, et cetera, but that again is not exactly comparable and does not key into Washington, D.C. It does give a very, very good picture—on a relative basis since 1972 when it was first started—of the problems of the Virgin Islands.

Mrs. SPELLMAN. Are you having difficulty hearing?

AUDIENCE. Yes.

Mrs. SPELLMAN. I just sent a note to Mr. McCluskey asking if we have an amplifying system so the witnesses can hear in the back area. He is about to write me a note. Does anyone know?

Mr. UPSON. Would it be helpful if I sit on the side? I normally don't like to get too close to the members of the press, so I am sacrificing for the subcommittee. She has been very kind to me. Therefore, we are going to be able to give you some hard facts and some information, but that information won't always be comparable. We will try to interpret it to you, and Mr. Barber is well equipped to discuss it at any lengths the subcommittee wants. I would like to talk about a few things very, very quickly in general.

No one can deny the Virgin Islands is a high-cost-of-living area. The matter of "how high" is the matter the subcommittee is determining right now. I would like to highlight three different areas that I think might be important, and perhaps something that the

subcommittee might wish to consider. First, I expect you could call this a biological reaction. That is the exposure that we get in the Department of Labor, and particularly through the public employment agencies, which we administer to the many people coming into the Virgin Islands, or wanting to come to the Virgin Islands for employment.

We see many of them here, we hear many of them, we interview them, and our considerations are always in response to their questions about how much more does it cost to live in the Virgin Islands. We have been using—and I will try to support it factually—we have been using fundamentally a response to indicate to people coming into the Virgin Islands, and most of them are from the east coast, ranging from the District of Columbia and upward. My response is that it costs you approximately 25 percent more to live in the Virgin Islands—based on a number of facts that we have, and also some reactions. We have another thing that we react to, and that is, after people come to the Virgin Islands—particularly, we get the situation where we have a number of people that are recruited off-island and come to the Virgin Islands without visas—they come with many expectations, and most of them are met.

You really can't beat the climate, and the people you can't beat, but there is one thing that is traumatic and a shock to almost all of the people that come here, and that is how much it cost to earn a living. A typical example is the many schoolteachers that we recruit from continental United States because our college is not yet totally equipped to provide all the teachers we need. They come in and are really bombed by the cost of living, the cost of housing, and cost of food, et cetera, so we do have this kind of reaction that we are familiar with. We have a high turnover and lose a lot of people here. This, obviously, affects all of the people coming in.

The second area that I would like to talk about is the reaction that many of our people have, and particularly the people that are concerned with costs, cost-of-living surveys and reports that travel to the United States. A great number of male and female heads of households, when we go to the United States, one of the things we go there for is to shop.

You would be delighted if you could bring back a thousand different items, but the things that affect all of us, the essentials that are so high and costly in the Virgin Islands, the things in the drugstores, the pharmacy, household items, hardware items, all of these things we look at and compare when we go there, the shoppers, and also people that are concerned with the area. And, on an educated, and hopefully intelligent look, a great number of the prices are at least a third higher in the Virgin Islands than they are in the continental United States.

So, we have that, and we have the reaction again of all of us that are exposed to tourists when they come here, when they go to our stores, our drugstores, they react violently to the prices, and say, how can we afford to live there, so we have that kind of reaction. I would further like to report on some items that don't show in our statistics, and I suspect don't show in any statistics. Statistics are interesting, the CPI is something we would love to have. It is a luxury we can't afford. We are a small Territory, small in size.

We don't have the funds, frankly, and the cost of doing a CPI is very expensive. We would love to have it. We can't afford it, but there are some things that are local and very special and which make the Territory different certainly on a comparison basis of Washington, D.C. which is where we are comparing. There are some things I think the subcommittee should know and should be interested in. No. 1, transportation. The public transportation in the Virgin Islands is very limited, and I must say, somewhat unreliable, and due to the nature of the typography, geography, almost everybody that lives in the Virgin Islands must own at least one automobile in order to get to work, in order to get to school, in order to shop, in order to buy. In urban areas like Washington, D.C., where there is public transportation, there are many cars, as you well know, but most of those are cars of a matter of choice.

In the Virgin Islands, it is almost a matter of necessity. The cost of buying automobiles is considerably higher, the cost of maintaining them is more expensive, and the life of them is shorter because of our Sun and sea.

Another area—again, some of these I am reluctant to talk about, but we should face up to the facts. We have, to some degree, some question of medical services available on the Virgin Islands. On important safety and health areas, a lot of people feel, to have these necessities, they must go elsewhere to get special kinds of medical treatment. Many people feel, from the Virgin Islands, they must travel to the Commonwealth of Puerto Rico, to the mainland, to New York, et cetera, for hospitalization adding to the ingredient in the substantial one of travel, because travel from and to the Virgin Islands is expensive.

I am saddened to talk about the next item, but the quality of public education is a problem everywhere. Unfortunately, in the Virgin Islands, in comparison to some of the other areas, I think we don't rank well. We have made major improvements, but we continue to have problems. Almost all Federal employees usually come to the Virgin Islands from the continental United States. As a result, they are comparing things in the Virgin Islands, particularly, education for their children. A great number of them find that the standards for public education in the Virgin Islands don't meet the requirement for their families, for what they expect for them. As a result, I would expect, that certainly a majority of Federal employees in the Virgin Islands send their children to private or parochial schools, adding a cost burden that normally would not be expected in the income bracket that we are talking about in urban or suburban areas in continental United States.

Housing is a major problem in the Virgin Islands. No. 1, it is expensive, but well beyond that is the fact that, No. 1, we don't have a great number of apartment-oriented complexes in the Virgin Islands as you would get in your urban or suburban areas. In addition to that, we have a massive impact of tourism in the Virgin Islands where the cost, the pricing available to any landlord is such that they can make their units available in season and not have to rent them out of season, therefore take them off the market for long considerations. So, we have that kind of special problem in the Virgin Islands.

There are a number of other things I can talk about, but let me talk about one that may not be obvious in the Virgin Islands because of the size. We have a limited number of wholesale and retail outlets. As a result, competition does not exist in the Virgin Islands. For example, on St. Croix, we did have three, we now only have two supermarkets in the food business. Drugstores, the same way. So, there is a decided lack of competition. And, in addition, because of the difficulties of imports of goods, oftentimes, there is a limited selection. If you need an item, there may be no low cost one, or medium cost, only high cost, and many times, we are buying things of necessity that are higher priced than what you may find in an area where there are several stores that have that particular item.

There are going to be a number of well qualified witnesses testifying. I hope it is not presumptuous to ask the committee to pay special attention to those representing the Federal employees, the agencies, those directly representing their agencies, and particularly the union that represents the employees, because I think that you will find that they will be able to define the problem from a standpoint that will be important to you from the subcommittee's standpoint.

I would like to say something as far as the Virgin Islands is concerned, and the way we look at the Federal employees. Being small, we get a limited number of employees, and in many areas where other communities would have several employees, we may have one or two. Therefore, very selfishly, we are very much concerned about the caliber of employees in the Virgin Islands, because they provide us enumerable services. We are extremely fortunate, and we do have high caliber employees from the Federal Government, but, the main problem is, it is unreasonable and unrealistic for us to expect those employees to come to the Virgin Islands and accept a loss in income that they could get in Rhode Island, Mississippi, or New York. We have benefits here, but in the country today, when you are trying to support a family, the heads of households, I don't think we in the Virgin Islands can expect them to suffer. We are very much concerned about that.

I would like to thank you very much for letting me testify on an improper basis, since I was not able to comply with the committee's rules. I would like to thank you on behalf of the Virgin Island government for coming down, because the Federal employees are part of the Virgin Islands and a part of our community. We are very much concerned about them, and I would hope that Congressman de Lugo pointed out to us, we will get favorable consideration for these deserving people. Thank you, very much.

Mrs. SPELLMAN. Thank you. There were just a couple of questions, if we might ask you.

Mr. DE LUGO. You are not that fortunate.

Mr. UPSON. The letter said, 10 minutes.

Mrs. SPELLMAN. That was an excellent 10. We thank you for it. I just wanted to ask, just for our own information, because we are in the learning process, is the cost of living here on St. Croix pretty much the same as it is for St. Thomas, or is there a difference?

Mr. UPSON. Well, in the surveys that we do, and Mr. Barber can testify, some areas have differences, but fundamentally, when you

talk about the Virgin Islands, St. Thomas and St. Croix are comparable in many areas. The tourist oriented cost of living items would probably run a little cheaper in St. Thomas, but I don't think in every instance, but St. John's is a little different. Many people in St. John's live and work in St. Thomas, so they do their shopping there. That is a little more difficult to identify. But, I think, not having figures in front of me, I think it would be more appropriate when Mr. Barber testifies in St. Thomas, you ask him. He has more information than I do, from the CPI.

Mrs. SPELLMAN. How many Federal employees do we have on the Islands?

Mr. UPSON. I am sorry, I don't know.

Mrs. SPELLMAN. Do you have any idea what the medium income is?

Mr. UPSON. No; I have seen medium figures from some of the agencies here, but again, I would think there are other witnesses better qualified to answer.

Mr. HARRIS. Just one question. Are the medical facilities here so inadequate that you have to go to New York or Miami, or is that just an individual decision?

Mr. UPSON. The medical facilities, Mr. Harris, fundamentally we have some excellent practitioners in terms of doctors and nurses. We have some limited facilities in terms of what is available, in terms of operating equipment, et cetera. We have been improving. We have dialysis equipment we didn't have a number of years ago. But, there are a number of things we don't have available in the Virgin Islands in terms of the special kinds of considerations that people have. I have never lived in a community where anybody had anything good to say about a hospital. Hospitals almost always get knocked in almost every area.

I am sure there are people who go off-island in preference, perhaps who are not natives that prefer to go to their own doctors. I can tell you specifically that when—we do send a great number of veterans from the Virgin Islands to the VA hospital in Puerto Rico, which is an excellent hospital, partly because we don't have the facilities here. We would prefer to handle them in the Virgin Islands.

Mrs. SPELLMAN. I must say to you, and with due apologies to the hospital, I was told people are especially careful when they drive here so they won't have to go to Harwood. And, I do have friends who are physicians here on the islands and who are excellent physicians, but who bemoan the fact that there just isn't enough equipment to be able to provide really good health care.

Mr. UPSON. Unfortunately, I believe that is true.

Mrs. SPELLMAN. When a friend from St. Thomas became ill, he came to Washington for his treatment. So, indeed, I really do understand that that is a problem.

Mr. DE LUGO. Madam Chairman and Mr. Harris, I might point out, this is a very serious problem and at the present time, the Federal Government is reviewing this problem. Presently before the administration, in the Interior Department, there is a request, and I am sure the department will get to it in due course, to build two hospitals, two modern hospitals in the Virgin Islands, one in St. Thomas, and one on St. Croix. When you talk about modern

hospitals, you are talking about a lot of money, but, at the present time, the facilities both in St. Thomas and St. Croix are archaic. It is amazing we get the quality of health care we do get under the circumstances. If we didn't have dedicated professional people on the staff, it would be worse than it is. But anyone that goes out there and sees the equipment they have to work with, and it is pretty much a nightmare. I think that, pretty much, those people that go to the hospital don't have any other alternative, and this is said without disparaging the people who are working under these conditions.

Mrs. SPELLMAN. Again, we thank you very much.

Mr. DE LUGO. Commissioner, I want to commend you on your statement. I think you have raised some points, quite frankly, that I hadn't thought of. Particularly, I thought your point on transportation was excellent, and when you raised it, I said, "Hey, that is true," which is a sign of a good witness. As you know, the cost-of-living allowance is determined by a survey that is done in this territory, and the survey compares the cost of living, as the chairman pointed out, with the cost of living in Washington, D.C. as a base. There are 12 categories that are surveyed in establishing the difference in how much it costs to live in the Virgin Islands, and how much it costs to live back in the District of Columbia, where we are.

I was just looking at the 12 categories, and there is 1 obvious category where everybody in the Virgin Islands gets a break. We do know that tobacco and alcohol are cheaper here than in the District of Columbia, but we also hope that the Federal employees are not sustaining themselves on tobacco and alcohol, and they are not, of course. Looking at the 12 categories, I will read them off for you, are the items they use in making up the survey: Food at home, tobacco and alcohol, as I mentioned, personal care, recreation, transportation, which you mentioned, domestic services, food away from home, furnishings and household operations, clothing, medical care, and housing. Now, Commissioner Upson, from your experiences of having lived here—how long have you lived in the Virgin Islands?

Mr. UPSON. About 12 years.

Mr. DE LUGO. From your experience, having just returned from Washington, D.C., having realized, of course, you have not made a survey of the cost of living in Washington, with the exception of tobacco and alcohol, is there any other item in this category that you would not find much higher in the Virgin Islands?

Mr. UPSON. Clothing is one area where the unit price of clothing is considerably higher. We estimate about a third higher, item for item, but for those people coming from the nontemperate area such as the, such as Maryland, et cetera, they must buy winter clothing, and we don't. There are a couple of items to give balance that would probably run higher in the Virgin Islands but are not on this list. One which would be property taxes or personal taxes, but in the main, everything that is on that list will range from a third higher. We estimate food about 27 percent higher. So, there isn't anything in there that would probably balance out, with the exception of clothing. I feel reasonably sound in our estimates that 25-

percent cost is higher here in the Virgin Islands versus the east coast.

Mr. DE LUGO. You mentioned 25 percent. Is it not correct that Arthur D. Little did a cost-of-living survey?

Mr. UPSON. This is one of the surveys that I refer to and that Dave Barber will testify to. Arthur D. Little survey has been kept current on an annual basis. It was started, and we figured it was a starting point that covered shelter, utilities, and a number of items you mentioned. He will testify to a number of those items. Unfortunately they don't compare with anything other than the Virgin Islands year to year. There are possible comparisons that he can testify to in that area.

Mr. DE LUGO. Thank you, very much.

Mrs. SPELLMAN. It is interesting you mentioned the need for sending children to private schools. That is, of course, not one of the categories included.

Mr. UPSON. I tried to touch on some of the things that may be unusual or unique that you may want to use with more talented witnesses.

Mrs. SPELLMAN. Our next witness, Mr. Carl Swanson.

STATEMENT OF CARL SWANSON, SOCIAL SECURITY ADMINISTRATION EMPLOYEE

Mr. SWANSON. Madam Chairwoman, members of the Congressional Subcommittee on Compensation and Employee Benefits, Delegate de Lugo, distinguished guests, fellow Federal employees, ladies and gentlemen, thank you for this opportunity to present the Federal employees' position on the cost of living in the Virgin Islands.

My name is Carl Swanson. I have been employed by the Social Security Administration for more than 4 years as a claims representative. Since arriving on St. Croix in September 1976, I have attained pay level GS-10. I am single with no dependents and live in rented quarters. I am a member of the COLA Committee and American Federation of Government Employees.

This morning, I plan to present the plight of Federal employees in purchasing housing and utilities and transportation. That food prices are much higher than the mainland United States is beyond debate; however, it should be emphasized that almost every aspect of living in the Virgin Islands involves more expense and less in return for our money.

Virtually everything that one purchases on St. Croix is imported, usually via San Juan, P.R., where Federal employees receive 12½ percent COLA. Logic would dictate that additional shipping from San Juan to St. Croix can only add to the cost of the goods we purchase. As my other colleagues will describe in further detail, the average Federal employee on this island earns less than the married males, apparently surveyed by the Civil Service Commission. They can afford domestics, who here receive a lower minimum wage than on the mainland, or expensive imported items such as fine china, cameras, and jewelry frequently advertised in promotional material for tourists as duty-free items.

In the area of rented housing, one is confronted with the dual problem of availability as well as cost. During the week of January

25, 1978, our local paper, the Avis, advertised five dwellings for rent. Excluding three which, by giving a weekly rate, appear to be directed toward tourists, only two units were available—a house renting at \$600 per month and a cottage at \$275 per month.

I pay \$25 more each month for rent than I was paying before coming to St. Croix. In addition to \$25 less spendable income, I also have lost a second bedroom, wall-to-wall carpeting, air conditioning, electric heater, a garbage disposal and laundry and dumpster facilities on the premises. Clearly, I receive less for my rent dollar here on St. Croix than in Massachusetts. These higher rents are basically due to the high cost of building materials and labor, utilities and maintenance.

Tenants who pay for their own utilities, pay for electricity at the high rate of \$5.29 per 200 kilowatts. I will repeat that, \$5.29 per 200 kilowatts. In at least one apartment complex, tenants are billed \$0.01 per gallon for the water they consume. Most of us do not have piped-in water and must sparingly use water from the rooftops saved in cisterns or pay \$30 per truckload if the cistern goes dry. Bottled drinking water costs \$3 for a 5 gallon bottle.

The scandalous rates charged by the Virgin Islands Telephone Co. make even the food markup appear tame by comparison. The basic monthly charge is \$22. I personally do not have a telephone, but have been advised that a deposit of approximately \$95 covers the installation, deposit on the equipment, and prepayment of the first month's bill. It would be foolhardy, indeed, to assume that by paying a utility bill twice that of our stateside counterpart, that we receive higher quality service. On the contrary, we are plagued with frequent interruptions of service and billing errors.

Transportation is another expensive item in our budgets. I believe that it is fair to say that an automobile is a virtual necessity on St. Croix. Using taxis would be prohibitively expensive and the buses, which are not operated evenings, run basically only along the main road between Christained and Frederiksted and not on schedule. In the family situation, transportation of children for short distances is often necessary because there are virtually no sidewalks and often thick bushes come right to the edge of the narrow, hilly and curving roads on which walking and bicycling are very dangerous.

Ownership of a car on St. Croix is more expensive and more frustrating. In the very purchase price of the automobile are some unusual expenses, a road tax of several hundred dollars, based on weight, shipping from Miami or beyond, plus a lot fee of approximately \$100 charged by dealers of new cars. Chances are great that your insurance company does not do business in the Virgin Islands. We have no Allstate or State Farm agent, and your new policy may be from a relatively unknown company, such as National Union Fire Insurance Co. of Pittsburgh, Pa., or Hanover Insurance Co. of New York, N.Y. One member of a Federal household was notified, after he submitted a claim, that his insurance company had gone bankrupt and that no payment would be forthcoming.

Once the car is on the road, we face a new set of expensive problems. First, although we share the island with the western hemisphere's largest oil refinery, Hess Oil, regular gasoline, which comes from the refinery with no special additives of the various

brands, costs 67.9 cents a gallon. Second, the salt air in our environment quickly corrodes our cars. Third, our potholed and hilly roads quickly cause rattles, worn out brakes and tires. An employee in our office was recently told by the Firestone agent that that company's warranty did not apply to the Virgin Islands.

Finally, obtaining repairs and parts is a trying and costly process. The insurance adjusters in the Virgin Islands mark up all insurance claims by 40 percent parts and 25 percent labor over anywhere in the United States. They use the adjusters book from the States. Last year, I waited for over 4 weeks to have a broken side window replaced on my car, a 1975 Pinto, a common model on this island. An alternative method is to pay for a long-distance call to the States to a friend who will purchase the part and then pay air freight to send the part to the Virgin Islands.

This morning, I have concentrated in some detail on expenses and frustrations involved in renting an apartment and owning an automobile on St. Croix. As others testify about other areas such as food, education, and homeownership, I trust that you will realize that, for Federal employees in the Virgin Islands, not only are our purchases more expensive to begin with, but that we also have more difficulties in obtaining these goods and services, if available, and generally receive less in return for our purchase for many reasons, some of which I have cited in my brief presentation this morning. Thank you.

Mrs. SPELLMAN. Thank you very much. You indicate that you came from Massachusetts. Were you transferred out here? Was this a new job?

Mr. SWANSON. I transferred from Massachusetts.

Mrs. SPELLMAN. There was another point that I noticed as you talked about the automobile parts, and I would assume an automobile to be a necessity. You said they use the book from the United States and then have an automatic add-on?

Mr. SWANSON. As I understand this information, it was received, or rather conceived when the insurance companies were audited by a Federal employee who talked with some of the adjusters as to how they did process their claims.

Mrs. SPELLMAN. That is interesting. You said you were a member of the COLA Committee. Would you explain just what that committee does, and what, if any, actions it might be taking?

Mr. SWANSON. At sometimes, it is a rather loose committee. I have only lived here about 1½ years. About the time I came, our office, I presume other offices as well, received a call complaining, as we could determine from the information we received from Washington, that the survey sampling methods were not indicative of our employees. We will have a little more information on a random survey we did this past week of our employees, and at that time, they were trying to collect \$20 from each employee to finance necessary action to have this situation investigated.

Mrs. SPELLMAN. It is voluntary?

Mr. SWANSON. That is correct.

Mrs. SPELLMAN. Do you work together with the American Federation of Government Employees in that survey?

Mr. SWANSON. Yes; I believe they more or less spearhead our local members, more or less spearheaded this action, to the best of my knowledge.

Mrs. SPELLMAN. How many Federal employees work in your area? How many would be in the close area, folks that you would know pretty well?

Mr. SWANSON. You mean personal associations?

Mrs. SPELLMAN. Yes.

Mr. SWANSON. We have six employees in our office, and we socialize a reasonable amount. Personally, I think some of the people in the Park Service are about the only others.

Mrs. SPELLMAN. Let's say of those six that you work with, how many are married?

Mr. SWANSON. One. He was the highest paid employee.

Mrs. SPELLMAN. I see great advantages in being married.

Mr. DE LUGO. You get into the survey, at least.

Mrs. SPELLMAN. Is it a he?

Mr. SWANSON. That is correct.

Mrs. SPELLMAN. Does he have children?

Mr. SWANSON. They are grown. Just he and his wife.

Mrs. SPELLMAN. I was just curious as to whether these children might be in private school rather than public school. Mr. de Lugo?

Mr. DE LUGO. Thank you, Madam Chairman. Mr. Swanson, I want to commend you on your statement. I thought it was an excellent one. The beauty of this kind of hearing is that if you were to take your written testimony it would simply not be as impressive as when you are here in person actually relating the living conditions and problems. The presence of this audience, the more mature and the younger ones as well are also enforcing your case. I think that you make, or that the Federal employees have made this point time and time again, that in making these surveys, that more than 50 percent of the Federal employees are not even taken into consideration in your survey, am I correct?

Mr. SWANSON. That is correct.

Mr. DE LUGO. Let's see. Who is surveyed?

Mr. SWANSON. Male heads of households.

Mr. DE LUGO. Anyone else surveyed?

Mr. SWANSON. Not as we understand it.

Mr. DE LUGO. Male heads of households.

Mr. SWANSON. In our office, quite a few women have dependants.

Mr. DE LUGO. I think that is incredible. The Federal Government talks about nondiscrimination because of sex, and here the Federal Government is engaging in surveys where the woman doesn't even exist.

Mrs. SPELLMAN. You know, the interesting part of it isn't even sex. Women earn less than men do. If they take male heads of households and survey them, and figure a median income from them, their figures are way askew.

Mr. SWANSON. I don't wish to take somebody else's material, but in the survey we did, the employees on St. Croix, the average male is GS-9, where the average woman is GS-4, a considerable difference.

Mr. DE LUGO. You mentioned the cost-of-living in Puerto Rico, and I know we have friends from Puerto Rico here today because

they are getting ready for their hearing in Puerto Rico on Monday. I know they are going to do a fine job of representing their members as you are doing here today; however, even though you are all my friends in Puerto Rico, and Congressman Corrado is a very good friend, my job is to represent the Virgin Islands. I have to tell you quite frankly that I agree with you that it is a little shocking that the cost-of-living allowance for Puerto Rico—certainly for the San Juan area—would be higher than the Virgin Islands. It has been a tradition that people have flown to Puerto Rico because it means a chance to shop more cheaply. If you are going out to the airport, you see people coming back with all kinds of bundles and shopping bags and things. Would you say that this pattern still exists? Have you found that the cost of living is at least no higher in Puerto Rico than in the Virgin Islands?

Mr. SWANSON. I really wouldn't be able to testify about that. I lived in Ponce some years ago, and I remember it was high then, but, I have not been to San Juan since I have been here.

Mr. DE LUGO. I want to thank you very much for your testimony and I look forward to hearing from your other witnesses today.

Mrs. SPELLMAN. Thank you, very much. I appreciate your testimony. Our next witness is Mrs. Shirley Hayes, also from the Social Security Administration.

STATEMENT OF SHIRLEY HAYES, SOCIAL SECURITY ADMINISTRATION EMPLOYEE

Mrs. HAYES. Madam Chairwoman, members of the congressional Subcommittee on Compensation and Employee Benefits, Delegate de Lugo, distinguished guests, fellow Federal employees, ladies and gentlemen, welcome to the U.S. Virgin Islands, especially our beautiful St. Croix. It is an honor and pleasure to come before you today and bring to your attention the reasons why we know COLA should and must be raised to come in line with the spirit and intent of Executive Order 10000.

My name is Shirley Hayes. I work for the Social Security Administration, HEW, as a claims representative. I am a GS-10 with 15 years of service. I am the St. Croix coordinator of the COLA Committee and a local AFGE officer. I am a divorcee with a 17-year-old daughter, who is a senior in high school. I am the sole support of my household.

My daughter attends public school since I cannot afford \$1,300-plus, a year for private school. The public school system leaves much to be desired. The beginning of the term is pure chaos. One term I was in school every day for 2 weeks looking for teachers to obtain my child's grades. For some unknown reason, they were not on her records and, therefore, she could not be assigned a schedule for the new term. Finally, 3 weeks after school started, my daughter was assigned a full schedule of classes. Up until this point, she has had two classes a day. She graduates in June, and I am elated. If she goes to college, she will have only one to go to in the Virgin Islands. If we were in Washington, D.C., she would have at least eight colleges to choose from, I am told. As it is, she will have to go to the College of the Virgin Islands or go off-island as many students do. This is additional expense, not to mention the fact that

my daughter will be thousands of miles away. I'll let Mr. Edney elaborate further on the school problem.

I am often told I live in Paradise. I agree. However, I pay very dearly for the privilege. I would return to the States, but for health reasons I remain in the warm climate.

As a female, I am discriminated against when surveys are taken concerning the cost of living here. I have the same responsibilities and expenses as a married male employee, with the same family size. However, I am not even considered in the COLA surveys. When our COLA was cut, I had \$32 less per month to spend for food and other necessities. We have attempted to convince the Civil Service Commission that it was not being fair and was in effect discriminating against female and single male employees. To date, they have not listened in the honest fashion as they should have. This affects the employees' morale and, ultimately, their productivity and retention. I must point out that the typical family in the Virgin Islands is not the family of four with the male working and the wife staying home to take care of the two children. I would estimate that 75 percent of the mothers in the Virgin Islands have jobs outside of the home. Until one lives here, she cannot fully appreciate the facts and conditions in living and working in the Virgin Islands.

Our grocery stores are a joke. I very seldom buy fresh vegetables, since they cost a fortune and are rotten most of the time. We pay \$1.79 for 5 pounds of potatoes which cost \$0.79 in the States. The majority of the time, several are rotten. Chicken, Grade C, which I never heard of until moving to the Virgin Islands, sells for \$0.69 to \$0.89 per pound and tastes like sawdust when cooked.

A roll of paper towels cost \$1.15. I spend \$60 to \$75 per payweek for groceries and return the next week and spend another \$25 to \$30. Since everything is imported, we not only pay for the shipping cost, we also pay for the spoilage and high profit of the stores.

I pay \$300 per month for rent, my basic monthly telephone bill is \$21; \$4.50 of this is a surtax. My electric bill is \$45 to \$50 per month, of which \$18.52 is a fuel adjustment charge. We all keep plenty of candles and flashlights handy since we frequently have power outages. We had a power outage in October 1977, which lasted from 10 a.m. Saturday, until 7:30 p.m. Monday. You can imagine what happened to my frozen food.

We pay \$0.67 a gallon for gasoline in spite of having one of the largest oil refineries in the world here on St. Croix. Clothing is a big expense. Fortunately, I sew and make the majority of my daughter's and my clothes. We either have to buy cheap quality or very expensive clothes since there are no in-between stores on St. Croix.

We are ripped off on automobiles, clothing, food, and utilities in the Virgin Islands. We pay dearly for the necessities, when they are available. Cigarettes, liquor, perfume, and jewelry are so-called bargains, but that is about where the bargains begin and end. These are not our everyday necessities, so should not be included in considering the cost of living and living differences in the Virgin Islands.

In my office, we have six employees, four of these are females who are head of household. The grades are GS-10, GS-7, GS-4, and

GS-2. One employee spends \$175 per pay period for groceries alone. That's a big chunk from her paycheck. But, her statistics are not considered by the Civil Service Commission. COLA is a must for us to survive at a human level.

Many necessities, not to speak of the nicer things in life, are not available to us when we need them. Simple things such as a dust mop, baking needs, et cetera, are not always available when we need them. Therefore, many of us depend on relatives to send or bring these items from the States for us. I have problems finding shoes, since the stores don't think people have small feet here. Sometimes, I have to go to Puerto Rico to get what I need and even at a cheaper price. Many times I feel that we are treated like second-class citizens. Warranties and guarantees on many items do not apply in the Virgin Islands. This makes life more difficult than it normally is without the conveniences we became accustomed to in the States.

When applying for home or car loans with the local banks, you must have 10 to 30 percent for a downpayment on a home and 20 percent for a downpayment on a new car.

Cultural activities are limited for me and my daughter. There are two television stations in the Virgin Islands, both on St. Thomas. Many parts of St. Croix cannot get these stations, so they turn to Puerto Rican stations which have Spanish programs. You have to speak Spanish to understand them. The libraries don't have the selection one would like. I could go on, but by now I'm certain you can get a pretty good picture of the living difference in the Virgin Islands, not to speak of the high cost of living.

We, therefore, request that the Civil Service Commission be caused to cease its discrimination and administer the COLA law as intended. There should be at least a 25 percent cost-of-living allowance and a past differential due to the hardships encountered in the Virgin Islands. We only want what is fair and right under the law. Thank you.

Mrs. SPELLMAN. You mentioned that you felt the employees' morale and ultimately their productivity were affected here, can you elaborate on that, just a bit?

Mrs. HAYES. As I said before, we have four females in the office who are all heads of the household, and when our COLA was cut, it affected us a great deal. For myself, it meant \$32 a payday less, and the other females were in the same boat, but yet we were expected to perform the same jobs we always do, and being in the location where our jobs are different because we have to be able to handle all phases of the work, not just this specific job that we have. It is very, very disheartening too when your cost of living is cut and the prices are still going up. There is nothing that seems to help us, and it is very discouraging to all of us.

Mrs. SPELLMAN. Incidentally, I was surprised when you said you have a 17-year-old daughter. You don't look that much older yourself. Mr. de Lugo?

Mr. DE LUGO. Thank you, Madam Chairwoman. I noticed that Shirley addressed you as Madam Chairwoman, and that is how I shall do it also.

Mrs. SPELLMAN. We can settle that by saying, Gladys.

Mr. DE LUGO. Mrs. Hayes, I am very impressed by your presentation today. I am particularly impressed where Mrs. Spellman asked about the morale in the Virgin Islands. You cited the fact that your cost of living had been cut to below that of St. Thomas' 7.5 percent. You were cut down to 5 percent, as I recall?

Mrs. HAYES. Right.

Mr. DE LUGO. You pointed out, and also Mrs. Spellman pointed out, that in most cases the women Federal employees are in the low grades?

Mrs. HAYES. Right.

Mr. DE LUGO. You also cited in your testimony the expenses and responsibilities that you have as a single head of household. With a daughter in school, and facing these problems that you have outlined, and yet, when the cost of living survey was taken—

Mrs. HAYES. We were excluded. The forms were given only to the married men in the office.

Mr. DE LUGO. Your problems were not even taken into consideration?

Mrs. HAYES. No.

Mr. DE LUGO. Yet, certainly the case that you have outlined here today would indicate that you, in many cases face a higher cost of living because of your situation. I know that single people are also not included in the survey—both single men and single women. Wouldn't it be true to say they also, in many cases, would face a higher cost in shopping and in securing rental units and so forth?

Mrs. HAYES. Yes.

Mr. DE LUGO. Now, when this survey is made of the cost of living in the Virgin Islands, the only people that are surveyed are the male heads of households?

Mrs. HAYES. That is correct.

Mr. DE LUGO. And yet, I believe that 26 percent of the Federal workers are women, and 25 percent of the Federal workers are single, so that a majority of the Federal workers in the Virgin Islands are not even taken into consideration when this cost of living allowance is developed?

Mrs. HAYES. That is correct.

Mr. DE LUGO. You know, you mentioned something that has struck me. You mentioned some of the choices that you are given when you go out to shop here in the Virgin Islands. You mentioned grade C chicken. I must say, this is the only place I have seen grade C chicken. Up in the Washington area it is all grade A and substantially lower in price, because I have seen the ads over the last few days. At least 30 to 33 percent lower. Here you are on a take it or leave it basis. I will state again, the reason I am so pleased that Mrs. Spellman has brought her committee here is because we can personally lay out to the committee what human beings have to face in the day-to-day living. It is so much more impressive than having to read a statement that is simply typed up. Although I do want to commend you on both your statement and your presence.

Mrs. SPELLMAN. You know, it occurs to me, as I am listening to this, that there is even more unfairness in the way these cost of living statistics are gathered than I had imagined initially. Yes, we are taking male heads of households, and we know they are earn-

ing far more than women, so the figures are askew. They are much too high in terms of earning capability. There is another factor, I see that women heads of households have got to pay money for day care.

Mrs. HAYES. That is true.

Mrs. SPELLMAN. Male heads of households don't have to, so even though you are earning less, your costs are higher. Hadn't thought about that. It is just occurring to me here.

Mr. DE LUGO. That is a good point, Gladys, and about this cost of living with the 12 categories, I don't see why they include tobacco and alcohol. We know it is dirt cheap. We all know that in the Virgin Islands, but booze and tobacco are hardly necessities of life. I don't know what it is doing there, and what you cited about the problems that are faced by single mothers, head of households, and her expenses, are more relevant than the price of tobacco and alcohol. I am sure there are a number of other things too. The problems I think, Madam Chairman, that I have found over the years, the Federal employees have a great feeling of lack of confidence in the way that material is gathered. It just doesn't make sense to people that live here. I know I was shocked, and again, I know that my friend from Puerto Rico will make a strong case for themselves, but, when suddenly you find last year, they were paying a higher cost-of-living allowance to the employees in Puerto Rico than St. Thomas and St. Croix. It makes no sense, and yet they are paying, and still continue to pay, higher on the Island of Puerto Rico than they do in the Virgin Islands when anybody in the Caribbean area knows that does not reflect the actual situation. So, one of the things that I am hopeful will come out of these hearings, Madam Chairman, will be that the Civil Service Commission will develop a process that will get the facts and be fair to all of the Federal employees. Thank you.

Mrs. SPELLMAN. Liquor and tobacco really changes your figures and brings them way down.

Mrs. HAYES. Rum costs \$0.97.

Mrs. SPELLMAN. This is the place for alcoholics.

Mrs. HAYES. Unfortunately, I don't drink rum. Don't drink Scotch either.

Mrs. SPELLMAN. That does put you at a very unfair disadvantage when commodities are there that are not essential. I think we ought to ask that it be taken out of the cost of living. No. 1, we have a Secretary of Health, Education, and Welfare who is trying to get people to think twice about smoking, so we ought not to encourage it. And, whiskey demon rum has caused a lot of trouble in our time.

Mr. DE LUGO. Since the school system and the hospitals have been mentioned, what we are facing—and I was talking to Mr. Harris on the plane yesterday coming down here—what we are facing in all of the offshore areas and the territories of the United States, and particularly the Virgin Islands is a financial crisis. This puts a tremendous strain on the various services we have to provide to the people living in the territory. One of the unique things that happened in the territory of the Virgin Islands, which I don't think we can find anywhere else under the American flag, is that

we saw our school population double in 3 years in the early 1970's, and we are not out of it yet.

The impact in the community was tremendous as our population simply exploded in recent years. The courts ruled that these services must be given to all persons who reside in the territory. The fact is at the present time, we have to admit, embarrassing as it may be, that the situation in the hospitals and the schools, the public schools, leaves much to be desired. In many cases, the Federal employees, it is correct, send their children, not to public schools but to private ones. It might be noted here, that students from the private schools are present today at this hearing. These are just facts of life about living in the Virgin Islands.

Mrs. SPELLMAN. Mr. Harris?

Mr. HARRIS. Mrs. Hayes, what does it cost to fly to San Juan?

Mrs. HAYES. \$41 round trip.

Mr. HARRIS. Is there another way to get there?

Mrs. HAYES. You can go on boat, but it takes too long.

Mr. HARRIS. Do you shop there often?

Mrs. HAYES. No.

Mr. HARRIS. Have you been there in the last year or so?

Mrs. HAYES. Yes.

Mr. HARRIS. Were you able to do any comparison shopping? Did you go because the selection was broader?

Mrs. HAYES. Actually, I was there for a training class in connection with my job, and while there, I did some shopping.

Mr. HARRIS. Did you note that prices were cheaper there than here?

Mrs. HAYES. Yes, they were.

Mr. HARRIS. About how much?

Mrs. HAYES. \$1 to \$2 on some items.

Mr. HARRIS. On a \$40 item, or \$5?

Mrs. HAYES. \$5 item.

Mr. HARRIS. Then, it would be 20 percent cheaper?

Mrs. HAYES. Yes, I even found a pair of shoes for \$3.99.

Mr. HARRIS. Have you ever done any grocery shopping there?

Mrs. HAYES. No, I haven't.

Mrs. SPELLMAN. Would you identify yourself for the record?

Ms. RAMSEY. My name is Yvonne Ramsey. I work for Immigration, and according to what the lady said, I have done grocery shopping, every time I get a chance to go to Puerto Rico, I go. You can get fresh chickens, chicken wings for \$0.49 a pound, and the frozen ones—no, the fresh \$0.49, nonfrozen you can get for \$0.69, and the frozen chicken wings \$0.49 a pound, over here, the frozen ones are \$1.19 or \$1.29 a pound. That is the difference. We don't even get fresh, nonfrozen.

Mrs. SPELLMAN. From \$0.49 to \$1.19?

Ms. RAMSEY. The frozen ones \$0.49, and over here, between \$1.19 and \$1.29. Check it today.

Mrs. SPELLMAN. Does the food come from Puerto Rico?

Ms. RAMSEY. Yes, and that is the same store, Pueblo.

Mr. HARRIS. Is there a sales tax on consumer purchases in the Virgin Islands?

Mrs. HAYES. No.

Mr. HARRIS. Is there an income tax that the residents pay?

Mrs. HAYES. Federal.

Mr. HARRIS. State or territory income taxes?

Mrs. HAYES. No. If there was, I don't think many of us would be here.

Mr. HARRIS. Thank you, that's all.

Mrs. SPELLMAN. Are you saying there is?

Mr. HENCHEN. No. My name is Alex Henchen. There is a 6-percent import tax on every item that comes into the island that is not deductible.

Mrs. SPELLMAN. Thank you.

Mr. DE LUGO. It is a holdover from the Danes, and it is uniform at 6 percent across the board, but, that's it.

Mrs. SPELLMAN. Our next witness is Lionel Roberts of the Immigration and Naturalization Service.

STATEMENT OF LIONEL A. ROBERTS, IMMIGRATION AND NATURALIZATION SERVICE EMPLOYEE

Mr. ROBERTS. Madam Chairwoman, members of the Congressional Subcommittee on Compensation and Employee Benefits, Delegate de Lugo, distinguished guests, fellow Federal employees, ladies and gentlemen, we thank you for coming to our beautiful St. Croix, U.S. Virgin Islands, and holding this hearing on the employees cost-of-living-allowance problems.

My name is Lionel A. Roberts, Sr. I am employed by the U.S. Department of Justice, Immigration and Naturalization Service as a GS-11, criminal investigator. I am a member of the COLA committee and will speak on behalf of the Federal employees.

First of all, housing costs here are very high, as mentioned by our previous speakers. Whether you rent or buy, you will find the quality of housing today to be very low. Let's take for instance, most of our GS-4 employees who make salaries of say \$8,900 per annum, they can't qualify for adequate housing here in the Virgin Islands because of adequate expenses. The quality homes and apartments are too expensive for the average Federal employee to obtain. More and better Federal housing is needed, but there doesn't seem to be any effort to get it in St. Croix. Many employees complain about the quality of houses or apartments they have to settle for because they cannot afford or find quality housing. The average utilities cost approximately 33 percent more than on the mainland.

Employees from the mainland have to sacrifice much to much to transfer to St. Croix. The cost of schools is extremely high, education is not at the same standard as they were used to, and the living costs are at least 25 percent higher with COLA being only 7½ percent. Some lose money or have to completely change their living style. Some people just cannot cope with these pressures.

New employees from the mainland experience customs and cultural changes which take time and efforts to adjust to. The medical services available in St. Croix are also limited, so many employees have to carry their dependents to Puerto Rico or the mainland. This is terribly expensive as well as mentally distressing.

The overcrowding in the public schools makes it impossible for students to get the quality education they deserve and need. So, being a good parent, you try to send your children to a private

school. Private schools are real costly and difficult to get into. It costs the average student \$1,500 a year to go to private school. It is a great sacrifice for the parents to send the child to private school when their COLA is cut, or they receive an unjustly low rate. COLA is to also make up for the living differences that are experienced.

Food costs and the quality of products are not comparable to the mainland. Food costs are at least 35 percent, especially when you consider the cost of the rotten or wasted product you buy, not knowing how old or bad it is.

Cars and tires, as well as clothing, wear out much quicker in the Virgin Islands than in the mainland. Good road and no salt air help to make a car and tires last longer. The humidity and heat cause you to wear and wash more clothes, thus they wear out faster. Cars cost from 50 to 90 percent more in the Virgin Islands. We must not forget our road tax of \$0.11 per pound. You have no choice but to own a good car because there is little public transportation.

Whatever the elevation, we are above sea level. We have to suffer with salt air and the mountains, and in this air, the cars lose. The cars depreciate in the 1st year because of rust. The high altitude causes you to wash more clothes, thus they wear out faster also.

At this point, I wish to read, or point out four statements I got from employees that work with me at the Immigration Department. The first would be the female who is the sole support of her house. She says here that the cost of living, on St. Croix, food at 20 percent, utilities 15 percent, shelter 50 percent, transportation 10 percent, clothing 20 percent, total 115 percent, and she being a transient, not a native, I don't want to say where she is from, but as a result for her to have other income—in other words, she has to have other income to survive. She cannot live on the salary she is receiving. Another female sole supporter spends for the month, rent, about \$500 a month.

Food per week, \$100. Light bill, over \$110. School fees for two children, over \$600. Fuel for her car to transport 7 to 8 miles to work, \$40 a week. Roughly, clothing, about \$200. Total, \$1,835. Then, I have also taken statements from two male supporters of their family. The first one is a family member of four. His monthly take home, \$1,250, which includes 7½ percent COLA. His expenses, rent, \$350, electricity \$65. This is on an average. Telephone, \$36. Water, \$35. He was living in the area where he doesn't have potable water. He has to depend on his cistern from the roof. That is \$35. Education, two children, private school, \$250. Bottle water, not from the cistern, \$24. Food on the average, \$500. Insurance for his life, \$25. Insurance for his car, \$30.

Gasoline, in order to run his car, giving about say 10 to 12 miles from his place of work, \$45, average. In order that he may not eat roaches, he has to get Oliver Exterminating, \$12. Medical and dental, \$35. Laundry and dry clean \$50. Total \$1,447. Salary \$1,250, less expenses, \$1,447, a loss of \$197 every month. He went so far as to itemize clothing expenses, auto maintenance, burglary losses. He lives in an area where the guys like to visit the house around here. Any other expenses that come up. Entertainment, personal lunches

and work expenses, gifts, haircuts. He has to cut his hair. Sometimes he goes on vacation and write his folks back home. Then we have a family of five.

His monthly earnings, take home, plus $7\frac{1}{2}$ percent COLA, \$1,053.56. plus COLA \$114.32. Total \$1,165.88. Monthly expenses, rent, \$375. Utilities, WAPA average, \$50. Gas, household, \$30. Telephone, base, \$21.50. Water, drinking, \$25. Water, household, \$15. Education, tuition for two children grades one and four, \$267, based on a yearly tuition of \$3,200. School lunches for two children at \$1.65 each, \$66, based on 10-month school year. Exterminator, \$12. Food, \$500. Insurance, auto, \$19. Insurance, life, \$35.

Auto maintenace and repair, \$20. Gasoline, \$40. Medical and dental, including drug items, \$50. Clothing, \$35. Total \$1,560.25. Does not include miscellaneous, personal expenses, donations, church, entertainment, vacation, camps, summer school, et cetera. So it breaks down his monthly take home, \$1,165.88. Monthly expenses, \$1,560.25. Leaving \$394.37 far exceeding his monthly take-home pay. He goes on to say:

Since necessary monthly expenses far exceed basic monthly earnings, I am forced to work on my days off and at night for overtime pay and am forced to draw on my savings in order to meet these expenses. For this reason, I cannot afford to remain in the U.S. Virgin Islands any longer than necessary.

Mrs. SPELLMAN. May I ask a question? Since he has two little children in school, do I take it he has a wife who is working?

Mr. ROBERTS. His wife is not working. She is a stone housewife. She stays home and take care of the house.

Mrs. SPELLMAN. What are the childrens ages?

Mr. ROBERTS. I don't have the ages, but they attend grades one and four.

Mrs. SPELLMAN. I am sorry, I thought you said the children were 1 and 4.

Mr. ROBERTS. No. May I continue?

Mrs. SPELLMAN. Yes.

Mr. ROBERTS. I also have a few comparison prices here. The previous speaker spoke of the costs in Puerto Rico compared to the Virgin Islands. Cost and building constructions, take for instance, cement per bag, in the Virgin Islands we would pay \$3.95. In Puerto Rico, the comparative price would be \$2.50. Eight-inch cinder block in the Virgin Islands, 55 cents. In Puerto Rico, 40 cents. Exterior door, decorative, in Virgin Islands, \$100. In Puerto Rico, \$70. To bear weight on what I am speaking here, comparing prices in Puerto Rico, that same door that costs \$70, if you were able to transport it, it wouldn't get to \$100, so it behooves the person that is building to take a trip to Puerto Rico, \$44 round trip, pay taxi, it would come to maybe \$20 if you brought the door here, but at the same time, he will be able to buy clothing and whatnot.

On the matter of clothing, I personally feel, or know, that most of the clothing you get here, those same merchants get in Puerto Rico on the bargain table, purchase a suit for \$25 and by the time it gets here, it is \$45. I do a lot of shopping, not for food, but for clothes, and the prices—let's see, they are working on a 200-percent profit when it gets here. That is one of the inconveniences we have to suffer.

As far as drugs and medicine, we have a 50-percent markup over those found in Washington and other cities. We speak of having to travel to Puerto Rico in order to get adequate medical attention? Yes, because in the Virgin Islands, we do not have sufficient specialists. Sad to say, our deceased Governor, he had to go to the States to be taken care of. Had we had facilities here, he could have been taken care of here. I go to the cost of tuitions naming the school, Tamarind School, which is a private school. Kindergarten through eight cost a person \$1,400 per semester having two children age 10 and 13.

On the matter of imports, I think it is a 6-percent markup we have here whenever anything comes on this Island, which puts up the price some. And, if I may bring to your attention, bearing weight to our testimony here, this is a clipping taken from February 8, 1977, St. Croix, a recent release from the Department of Labor indicating that food costs in the Virgin Islands are 27 percent above those in the Washington, D.C., area. I can leave this release from our local newspaper.

I have tried to briefly outline the day-to-day facts on living on St. Croix and in the Virgin Islands. It is very expensive as well as depriving at times for someone who is not up to the test. Virgin Islanders as well as persons from the mainland leave the Virgin Islands for some of these reasons. The living differences are real and should be taken into consideration when increasing our COLA and developing a post differential. Thank you.

Mrs. SPELLMAN. This article here has some interesting observations. Talking about differences in prices, onions for example, led the list costing Virgin Island consumers 160 percent more than Washington consumers. Wow! You are not hindered in your kissing. Obviously you don't use much in the way of onions. The only two items shown to be cheaper in the Virgin Islands are olive oil and cigarettes, which can hardly be classified as food. A pound of flour in the Virgin Islands costs 56.2 percent higher than the same pound of flour in Washington, yet a pound of dried prunes cost 12 percent more. Interesting, a pound of salt, 20 percent higher in the Virgin Islands, laundry soap, 10 percent. Pound of sugar, 24 percent higher. Pound of rice, 10.5 percent. They have tried to figure high because the shipping cost would be the same per pound. A dozen eggs cost 73.9 percent higher than in Washington. For a quart of milk, 20.4 percent more.

The price for beef sirloin, 59.2 percent more per pound. Price for beef brisket, 50.4 percent higher per pound. That is interesting, and we should enter that into the record. It appears these statistics from the Department of Labor shows food indeed does cost more.

Mr. de Lugo?

Mr. DE LUGO. Thank you, Mrs. Spellman, That was a very interesting article that you cited. It is indeed recent, February 8. And, I would like to commend Mr. Roberts, Lionel, on an excellent statement, and I would like to point out something again starting with the problem of Puerto Rico and the Virgin Islands cost-of-living, isn't it correct that virtually everything that we have purchased here in the Virgin Islands is shipped through Puerto Rico?

Mr. ROBERTS. That is correct.

Mr. DE LUGO. And in the transshipment, doesn't that logically add significantly to the price that we pay here in the Virgin Islands?

Mr. ROBERTS. It does.

Mr. DE LUGO. On the item?

Mr. ROBERTS. It does.

Mr. DE LUGO. With the exception of the things manufactured in Puerto Rico, for instance perhaps, cement in the block, most of the items are shipped from the mainland?

Mr. ROBERTS. And pass through Puerto Rico.

Mr. DE LUGO. And, in many cases are broken down in Puerto Rico and handled by the longshoremen, the unions, and that additional cost is tagged on to the cost all persons here in the Virgin Islands have to pay. I might point out that your remarks are well taken regarding the cost of clothing here in the Virgin Islands. I would like to underline, when we talk about clothing, we are not talking about clothing in the tourist shops. I am afraid that the people that come down here to take surveys lots of times stay in the tourist shops. We are the bargain center in the world when it comes to tourist shopping.

When you want to buy name clothes, the best in the world, designer clothes, you will get a better price in the Virgin Islands because you don't pay the high tax when it is brought into the United States. But, the clothes you are talking about, Lionel, are the clothes that the average person, the resident of the Virgin Islands buy in a drygoods store, am I correct?

Mr. ROBERTS. That is correct.

Mr. DE LUGO. These are the day-to-day problems that are faced by the Federal employees. Thank you, Madam Chairwoman.

Mrs. SPELLMAN. Mr. Harris?

Mr. HARRIS. I would like to ask you one question. You have indicated, and some of the other witnesses indicated, a general lack of housing of any sort, particularly lower income houses, or availability of lower income houses—is there any sort of a group or body here that is working with the Department of Housing and Urban Development on some of the grants available; also, is someone working with the Community Services Administration to determine if you would qualify here for some of their grant money?

Mr. ROBERTS. None to the best of my knowledge, but we can solicit committees to make the survey.

Mr. HARRIS. I don't know what the qualifications are, but it seems to me there is money available, at least to study the needs and justification, and it might be worthwhile to look into.

Mr. ROBERTS. For the benefit of transit Federal employees, I don't see why we can't have better housing. The few units in St. Thomas and those here, the FAA, or whatever branches they have, can be studied.

Mr. HARRIS. It seems to me, there are a lot of programs coming aboard that you might want to have someone look into.

Mr. ROBERTS. You are asking this as to the fact should we have adequate housing? That is no reason for COLA to go up? That is not the basis.

Mr. HARRIS. No, this is just an aside. Several people made that point. The point is, there is money available, or programs, that

might benefit this community. It seems to me, it may be worth someone's time to investigate it, and if there is a demand for housing, as there apparently is, private developers on the mainland may want to look into this.

Mr. ROBERTS. Mr. de Lugo, who usually initiates programs, can probably answer that. He is asking about groups making surveys for adequate housing for the Federal employees. Maybe you can answer that?

Mr. DE LUGO. For Federal employees of the Virgin Islands, I am not aware of any groups that are engaged in that undertaking at the present time. There is a certain amount of Federal housing in the Virgin Islands, as Mr. Roberts pointed out. It is primarily—this is Federal housing for Federal employees—it is primarily available to the CAB or FAA personnel and some members of the Park Services.

I note there are some members of the Park Services here this morning, and a number of them live in private housing. One of the problems we face, Mr. Harris, here in the Virgin Islands, is the coordination effort between the various branches of the Federal Government that I mentioned to you yesterday. There is this overlapping. You run from one department to the other. It is a problem we face throughout the United States, but it is even more of a problem in an offshore area, and I believe that an effort is being made to coordinate these activities by the Director of the Territories, Ruth Van Cleve, who is presently in the territory. I hope she will be successful. Unfortunately, we tend to go—in the Federal Government—from crisis to crisis. If we have a water problem, we deal with the water problem. We never anticipate and get ahead of the problem. If we have a problem in housing, we will get to that. We have to go right across the board.

Mrs. SPELLMAN. Mr. Roberts, I would like to pick your brain for a little bit. Presently the COLA percentage is established for an area and given across the board to all employees regardless of what their salaries are, or regardless of the size of the family. It has been suggested that people with larger families have to spend more to take care of their families. Therefore, they are impacted even more by the higher costs. Do you think that the percentage should vary depending on the size of the family, or depending on marital status, or income level? Would you have any comment on that?

Mr. ROBERTS. No, I don't have any comment on that. I wouldn't say pro or con.

Mr. DE LUGO. A wise answer.

Mrs. SPELLMAN. There is a lady in the back of the room.

Ms. RAMSEY. My name is Yvonne Ramsey. Again, I would like to say something. I am not sure, but I believe I am right in response to Mr. Harris' question about subsidizing housing for Federal employees. I understand they have Federal housing for FAA employees, and I also understand that if you live in a Federal house subsidized by the Government, you don't get any COLA, and I also understand that the rent was so high, most of the people had to move out; so, that doesn't solve that question. And, the other one about whether or not you have a lot of children, that would encourage people to have kids, so I wouldn't do that.

Mr. REED. My name is David Reed, U.S. Department of Agriculture, and I do live in a Federal house, and we do lose our COLA, and we do pay rent, and it is reduced rent from what people pay on the island, but I am under the impression that in Puerto Rico, outside of the metropolitan area, if you live in such a house, you continue to get your COLA, and it seems to me this would be unfair if that is the situation over there, and I am pretty sure that is the situation there.

Mrs. SPELLMAN. Suppose you had two people in one family who are involved with the Government in some way. Do you have some folks from the armed services here?

Mr. DE LUGO. They wouldn't receive a cost-of-living allowance.

Mrs. SPELLMAN. You do have people in the armed services?

SPECTATOR. Coast Guard.

Mrs. SPELLMAN. They don't get the cost-of-living adjustment? What if one of these men has a wife who is working for the Federal Government, how do they treat her? Does she get a cost-of-living adjustment for the work she is doing?

STATEMENT OF LEO GARDNER

Mr. GARDNER. My name is Leo Gardner. Back up one question to the military. We do have some military—active personnel—on the island. I would name the name, but one of our higher ups receives \$1,600 a month post differential housing allowance, clothing allowance, dislocation allowance. It is beautiful if we can get the same thing, as Federal employees, as the military.

Mrs. SPELLMAN. You ought to hear what he says about Federal employees. I am kidding.

Mr. GARDNER. On the other point, military and housing, as I understand from Alaska, the Civil Service Commission there, and also in Hawaii, the spouse, male or female, who is married to a retired military person has access to PX. We have one examiner in social services, one employee retired, they say he has access to commissary—but you have to get a plane and go to Puerto Rico. He had to fight with social services to where he had to reinstate and get his money, but this was the original determination. We don't have commissaries and PX's. We have to go to Puerto Rico, and you can't get frozen things and carry it back.

Mr. DE LUGO. Thank you, Leo Gardner, for all the help you have been in setting up this hearing. Leo has been behind me to get the hearings here. He has made a strong case with much of the material I presented to you in convincing you there was a need for this hearing. Thank you, Mr. Gardner.

Mrs. SPELLMAN. Thank you, Mr. Roberts.

[The following press release was presented by Mr. Roberts:]

DEPARTMENT OF LABOR PRESS RELEASE

The total cost of a selected group of food and food-related commodities priced in December by the Virgin Islands Department of Labor was 27 percent higher in the Virgin Islands than in the Washington, D.C. Metropolitan Area according to the Department's Bureau of Labor Statistics, Director Elizabeth P. Deutermann announced today. While the items, which are monitored quarterly and were used for a special annual comparison in December, would have cost the local consumer \$47.20, they would have cost the consumer only \$37.16 if purchased in the Washington, D.C. area. Since identical surveys conducted in December, 1973, and December, 1974, showed V.I. prices as 25.4 percent higher and 21.4 percent higher, respectively, last month's results indicate a substantial widening of the differential in prices between the V.I. and the mainland.

Of the 32 comparable items included, 29 were more costly in the V.I. Items reflecting the greatest percentage differential were: onions (+160 percent); cabbage (+152.6 percent); oranges (+104.5 percent); apples (+103 percent); potatoes (+87.5 percent); and eggs (+73.9 percent). Other items which were more than 25 percent higher were: beef sirloin (+59.2 percent); flour (+56.2 percent); oatmeal (+50.9 percent); beef brisket (+50.4 percent); peanut oil (+37.8 percent); dried peas (+32.1 percent); and coffee (+29.6 percent). Only one item, cocoa, had the same V.I. price as in D.C. The only two items showing lower prices in the V.I. than D.C. were olive oil (-27.4 percent) and cigarettes (-43.1 percent).

This special December pricing was conducted by the V.I. Department of Labor's Bureau of Labor Statistics as part of the Department's Pilot Pricing Program under which quarterly price monitoring is conducted in January, April, July, and October for a selected list of commodities specified by the International Labor Office in Geneva and solicited world-wide. Prices reported by the Bureau do not purport to represent a typical market basket of goods and services purchased by an average Virgin Island's consumer and do not constitute a consumer price index. In contrast, quarterly price changes and annual regional differences are specific for an unweighted, nonseasonally adjusted list of items priced for comparable quantities in three representative outlets on St. Croix and three on St. Thomas during the week containing the fifteenth of the month, with annual comparisons including two outlets in the Washington, D.C. Metropolitan Area.

Percentage differential in prices of selected food items, U.S. Virgin Islands versus Washington, D.C., Metro Area (December 1977)

Item and Unit	Percent cost greater in the Virgin Islands
Onions (lb.).....	160.0
Cabbage (lb.).....	152.6
Oranges (lb.).....	104.5
Apples (lb.).....	103.0
Potatoes (lb.).....	87.5
Eggs (doz.).....	73.9
Beef sirloin (lb.).....	59.2
Flour (lb.).....	56.2
Oatmeal (lb.).....	50.9
Beef brisket (lb.).....	50.4
Peanut oil (24 oz.).....	37.8
Dried peas (lb.).....	32.1
Coffee (lb.).....	29.6
Bacon (lb.).....	24.2
Sugar (lb.).....	24.0
Tea (lb.).....	24.0
Cheese (lb.).....	23.9
Milk (qt.).....	20.4
Salt (lb.).....	20.0
Margarine (lb.).....	17.8
Macaroni (lb.).....	16.4
Ham (cooked, sliced) (lb.).....	15.9
Butter (lb.).....	14.1
Prunes (dried) (lb.).....	12.0
Bread (lb.).....	10.6
Rice (lb.).....	10.5
Red beans (lb.).....	10.1
Soap (laundry) (lb.).....	10.0
Pork chops (lb.).....	9.5
Cocoa (lb.).....	⁽¹⁾
Olive oil (pt.).....	-27.4
Cigarettes (pack).....	-43.1

¹ No change.

SOURCE: Virgin Islands Department of Labor, Bureau of Labor Statistics, December 1977.

ELIZABETH P. DEUTERMANN,
Director, Bureau of Labor Statistics.

DATED: January 25, 1978.

Mrs. SPELLMAN. Our next witness is Adolphus Edney.

**STATEMENT OF ADOLPHUS EDNEY, U.S. POSTAL SERVICE
EMPLOYEE**

Mr. EDNEY. Madam Chairwoman, members of the Congressional Subcommittee on Compensation and Employee Benefits, Delegate de Lugo, distinguished guests, fellow Federal employees, ladies and gentlemen, my name is Adolphus Edney. I am employed by the U.S. Postal Service in the town of Frederiksted. I would like to take this opportunity to welcome you, and your staff members to the warm and sunny shores of St. Croix, U.S. Virgin Islands. I am also indeed honored to be chosen to testify before this esteemed committee, for the COLA committee.

I have been employed by the U.S. Postal Service since 1957. I worked 5 years in New York City before coming back home to St. Croix. I have a wife and five children. One daughter is in college, and three children are attending school on St. Croix. I am a member of the American Postal Workers Union.

I would like to address myself today to the high cost of education and the lack of good public educational system on St. Croix. I think all would agree that in our modern technological age, that we are living in, all young people should be entitled to a good basic, secondary, undergraduate, and if possible, graduate education.

I have been active in the PTA in the public schools since 1968, as an executive member serving as vice president, president, and treasurer. Over these years, I have seen the public schools move through several changes. Many of them leading toward graduating from the 12th grade what a previous commissioner of education called functional illiterates. The public schools have been, and are still, suffering from poor teacher recruitment due to many factors including the high cost of living on St. Croix.

The public schools lack textbooks for all students. Most students do not take home books to do their homework. As a result, children do not get a chance to practice or catch up on work they missed in class. Many schools are on split sessions, meaning some children get up about 5 or 6 to travel by bus to get to school to begin classes at 7:30 a.m. This situation is due to overcrowding and the lack of government funds to build new schools. Split sessions means that the a.m. and p.m. teachers have reduced teaching time from 45 minutes per class to 30 minutes per class. This results in the children being deprived of extracurricular activities, which is also a learning process.

Over the years, the teachers have had several strikes, demonstrations, and sick outs to point up some of these conditions. This has been to no avail. Discipline is a big problem in the schools. The newspapers have recently been full of accounts of these conditions in the public schools. Teachers are assaulted and threatened in school. Children are subjected to marihuana in and around the schools. The school officials admit these things, but they continue.

These are some of the reasons why Federal employees along with other parents are sending their children to private schools. The tuition at one school ranges from \$780 per year for a half day, to \$1,970 for seniors. The other schools have similar costs, which do not include books, supplies, et cetera.

I respectfully submit that with the high cost of private education in primary and secondary school, you can imagine the cost of off-island college. These expenses would also include three trips home per year. When the students return home during the summer, there are no jobs for them. This causes further hardships.

I feel the cost-of-living surveys discriminate against us because we had no opportunity to indicate our education expenses, also it did not allow females and single males to participate in the survey. I hope that by my testimony, you will see the need to increase the COLA, establish a past-differential, and bring about the proper administration of the COLA law. I would like to add, to the situation of college education, the fact that we do have the college in the Virgin Islands which only offers degrees in certain courses, teacher education, business administration, or nursing, or one or two that I have not mentioned, but if you have a youngster who would like to become a lawyer, doctor, engineer, or many other diversion fields that young people would like to study, they are not available in the Virgin Islands, so parents are forced to send their children off-island. There are many employees, I am sure, with more than one student in college.

I, myself, in September, will have a second student in college, and believe me, I know you have received some of the information of families and their budgets, and I, too, am operating my household finances in a deficit. I would like to point out some medical problems. We do have to take our families to Puerto Rico. And, bear in mind, if your wife has to go for medical treatment, or your child, it calls for two fares. The father or the mother has to accompany this person to Puerto Rico for medical treatment. I have experienced that.

I have taken my wife to Puerto Rico to the doctor and returned to St. Croix in less hours than it has taken me to have my father taken through the emergency at Harwood and get him admitted to the hospital here. I went to Puerto Rico in less hours, and, of course, at a higher expense. I also have clippings from the newspapers as recent as the Daily News of February 3, 1978, indicating the problem in education, and the headline is, "Educator Admits Problem." The St. Croix Mirror of October 6, 1977, states, "Students Four Grades Behind Study Shows," so, it means the kids, if they are in the 12th grade, they are really at 8th grade standard in the public school. I have testimony here of a Federal employee who got his son and tried to enroll his son on February 24, 1976, at the Central High School, and he relates the experiences that his son suffered while attending the school here. And, although I am black, this was written by a white Federal employee, and it states here that his son was beat up because whites would have difficulty in the Central High School.

Another headline, this one was in the San Juan Star, "Virgin Island School Woes Are Aired Before Senate Panel," who were listening to the problems of the public school. There is other testimony here by other members indicating the cost toward education the children in private schools, and what it cost them. And, we also have here, an exhibit of the questionnaire circulating. We feel this questionnaire is unfair. This is the document that discriminates many of the Federal employees. It discriminates many of the necessities and play up the luxuries. You said the HEW and all doctors urge people to stay away from tobacco and alcohol, and we feel the Federal Government is encouraging us to drink. So, my position is that the necessities are not on here, and the luxuries are. Thank you, Madam Chairman.

Mrs. SPELLMAN. Thank you, very much. Mr. de Lugo?

MR. DE LUGO. I am laughing because I think the Federal Government should decide what they want us to do. Many of the things you cited, of course, are very embarrassing to us in the Virgin Islands. They are primarily State problems, or what we could call State problems on the mainland. Certainly they are territorial problems. The problems in our school system and in the hospitals, are problems that we have to simply insist that the Virgin Island Government itself address. But, we are going to need assistance, and I talked to Mr. Harris about that.

Nevertheless, this is a problem that is faced by the Federal employee, Madam Chairman, who comes to the Virgin Islands, or who is employed on the Federal payroll in the Virgin Islands. It is a fact of life that he has to face these problems, and until we are able to present him with a school system that will give his child the same quality education he would receive on the mainland, he virtually has no choice but to send his child to a parochial school. We have heard time and time again the problems in the hospital, especially what Mr. Edney said about going down to Puerto Rico and receiving medical care in a faster time frame than he was able to get his father through the emergency lines here in St. Croix. I noted when he said it, we were all laughing and that many of the persons in the audience here today were nodding their heads saying, "yes." It is funny, but it happens to be true, and sadly true. I want to thank all of those that appeared here today. I am looking forward to the presentation tomorrow.

Today's presentation laid a good base, or laid the groundwork, I would say. Most of the testimony here today was general in nature, giving us a good idea of the problems, but, when a congressional committee has to address itself to a complex problem like this, the committee has to, of course, make the case to the administration. I know that we are going to need—and I know you, Madam Chairman, are going to need a lot of specifics, so I am looking to the specifics that will be presented on our behalf by Mr. Barber of the Department of Labor in St. Thomas tomorrow. We had requested that the head of the consumer's agency here in the Virgin Islands, Dr. Carter, to be present today and make a statement. However, my staff informed me that Dr. Carter is ill and will submit a prepared statement to the committee, Madam Chairman, but I might say to those who will be testifying tomorrow, that I would like to see as many hard facts put into the record tomorrow so we

can really fight your battle when we go back to Washington. Thank you, very much.

STATEMENT OF PETER JACKSON

Mr. JACKSON. Excuse me, I would like to make one point. I am Peter Jackson with the FAA. The boy who was beat up in school was my son, and I have been battling back and forth to HEW, for almost 2 years, and the answer I finally got back from Mr. Califano was that it was a disciplinary problem in the school, that and there was nothing he could do about it. But, it is not only that. It is the teachers they have to work with, books, lab classes with no test tubes, and what not. It is just not safe. I presented this whole package for your office approximately 6 months ago with the data I gathered, and I have not received an answer from you. It is a serious problem, and it is one that we will either have to bite the bullet and put your wife to work to have extra funds to put your children through school, or they have to go to public school and they are totally inadequate.

Mr. DE LUGO. As I said, it is embarrassing for all people that live here, but the problem we are facing, ignore race; the black children aren't safe out there either, that is why they had to put police there. It is embarrassing. It is spread all over the record of this congressional hearing, but we know the problems that exist here in the Virgin Islands, but there is only one way to solve it. I know this isn't satisfactory to you, Mr. Jackson, but there is only one way to solve these problems in any community, whether it is in the Virgin Islands, Maryland, New York, or wherever, and that is to demand that those responsible solve the problems and keep it up incessantly, because these problems in education have not just developed within the last year or two.

Mr. JACKSON. HEW backed the Federal employees up until 3½ years ago and gave them two-thirds of whatever the tuition was as part of your salary. I don't recall just exactly how they gave it to you, but they gave two-thirds of the school cost to aid you in putting your children through school, and then, they cut it out.

Mrs. SPELLMAN. That is an interesting point.

Mr. DE LUGO. Your quarrel is with the makeup of the categories which determines your cost-of-living allowance.

Mr. JACKSON. The school system has gotten worse. You, yourself said they have doubled, and HEW is disregarding that in saying it is a disciplinary problem.

Mr. DE LUGO. I was talking to Mr. Harris about the problem with the off-shore territories. We are facing great problems with immigration. The problem that impacted the Virgin Islands territories in the early seventies was a decision by the Federal court judge, and it was in the early seventies that our school population simply exploded, doubled in 3 years, and this territory has never been able to catch up with that.

Mrs. SPELLMAN. You are making an interesting point. There apparently was a time when you were given some sort of differential to enable you to—

Mr. JACKSON. That is the whole point. Why was it good then, and not good now? The situation is twice as bad now. The reasoning they gave me was totally inadequate as far as I was concerned, and

I have sheets of paper that I would be glad to present to you, articles and letters from teachers and so forth that are very interesting reading.

Mrs. SPELLMAN. Could you do that?

Mr. JACKSON. Yes.

STATEMENT OF ORAN ARNOLD

Mr. ARNOLD. I would like to say one thing. I am Oran Arnold, I work for the U.S. courts. This problem in education is recognized by the industry in the Virgin Islands. Both Martin Marietta and Harley Aluminum pays tuition for their employees, salaried employees, to attend private and parochial schools 100 percent, otherwise the turnover of technical employees would be so great that it would be prohibitive.

Mrs. SPELLMAN. So, it is cheaper to send the children to school.

STATEMENT OF ALEX HENSON

Mr. HENSON. I am Alex Henson. Recently our region office has been announcing in some of their replacement bulletins where people throughout the continental United States and Puerto Rico, that the Immigration Service is trying to obtain funds for private schools for their employees. We find that the average employee with two children going to private school pays over \$3,000 a year. I find that my employees here just don't have that kind of money. It is interesting to note, we have Mr. Harris who keeps an eagle eye on our funds.

The average employee being sent to the Virgin Islands cost us about \$10,000 to effect his transfer, to sell his house, move his furniture, and move his family to temporary quarters, and he is here on a 2-year contract. At the end of the 2 years, he is entitled to go back. Almost everyone, most of my employees has opted to go back to the continental United States usually because of the money. Now, we are talking about COLA, and we are talking about a raise in percentages for people that find that they just can't live here. We are also talking about the \$20,000 to move this guy back and forth to bring somebody else. We cannot use entirely people from the Virgin Islands. We do have upward mobility. We try to recruit people here, but at times we do need people in the continental United States to infuse their knowledge.

If we had a better cost of living, many employees would stay here. One case in point that came to mind over housing, I have a youngster that just transferred from Galveston, Tex., with a wife and children. Several of us went around the island to find him temporary housing, and a man at Mill Harbor let him move into a one bedroom housing, the normal price is \$1,400 a month. He dropped it to \$1,000 a month so that this fellow could afford to get in temporary quarters. One bedroom with two children. Since then, he has managed to find a house. Temporary quarters—he has moved out.

That is what St. Croix is today because these apartments are worth a lot of money to tourist and people can rent them 6 months of the year. They are not interested in renting them for the year. Many of the employees are not eligible to move into the houses on the island on the money the Government subsidizes for projects.

Government employees are not entitled to move in there, for \$243 a month, average monthly rents? Try to get it. Not if you are working for the Federal Government, you are not entitled. Thank you.

Mrs. SPELLMAN. Thank you.

STATEMENT OF ARTIE JONES

Mr. JONES. My name is Artie Jones from the U.S. Postal Service. I would like to address Mr. Harris. He was asking about the prices in comparison to Puerto Rico. Within the edition of the San Juan Star, they had an article on the market there.

I had my eyes on the market there, and I found the surveys there, something like we have here, bananas, they come in three different kinds of bananas, in Puerto Rico \$0.25 a pound. They are \$0.45 here in the market. The green banana, \$0.17 a pound in Puerto Rico. Still \$0.45 a pound here. The little, teeny weeny bananas, finger bananas in Puerto Rico \$0.45 a pound. Here, three pounds for a dollar. Plaintain, Puerto Rico, \$0.25. Here, three for a dollar. No, the finger bananas are three pounds for a dollar in San Juan and \$0.45 a pound here. Grapefruit and oranges, Puerto Rico, \$0.25 each. Here, three for a dollar.

Pineapple, Puerto Rico, \$0.23 and here \$0.29. Limes, Puerto Rico, \$0.30 a dozen. Here, four for \$0.25. Avocados, Puerto Rico, \$0.50 each. Here, \$0.75 each. Fresh green beans, Puerto Rico, \$0.60 and here, \$1.19. Cabbage, Puerto Rico, \$0.50, here, \$0.79. Cucumbers, Puerto Rico, \$0.50 and here, \$0.79. Iceburg lettuce, Puerto Rico, \$0.50, here, \$0.99 and up. Usually it has been pulled away, and pulled away until you have something like this [indicating]. It is not the original head. Okra, Puerto Rico, \$0.75, here, \$1. Yellow onions in Puerto Rico, \$0.40 a pound, here, \$0.70 a pound. I did this yesterday in the market.

Mrs. SPELLMAN. Thank you very much. I think we have time for one more person.

STATEMENT OF JOHN VINCENT

Mr. VINCENT. Good morning, I am John Vincent, National Parks. I am the maintenance supervisor of the National Park. We are completely excluded from the COLA, and I am requesting to be on this program this morning, but somehow, I was omitted again. Well, it seems all the time maintenance groups are omitted. We consider ourselves the mainstream of any department. We want a chance to be heard like anyone else. We are omitted from the COLA. I would like you to look into that, please?

Mrs. SPELLMAN. Yes. Would there be anybody you know of testifying in St. Thomas about that? Let me suggest to you that you send us some material that we can put into the record on this, and we will look into it.

Mr. VINCENT. I asked to be on this program today and somehow, again, I was omitted. Usually the maintenance crew is omitted.

Mrs. SPELLMAN. Do get us that information to put in the record. I do want to say that there are other materials to be put into the record. The kind of information that backs up the sort of statements that have been made. If you send them to Mr. de Lugo's office, he will see to it that it is made available to us.

I see a gentleman that would like to say something.

STATEMENT OF DANTE ROSSI

Mr. Rossi. I am Dante Rossi, Officer in Charge of Immigration Service. I think it is important from a management's point of view, relative to the COLA, when you are recruiting employees, is stagnated, therefore, I think the Virgin Islands will be suffering if this sort of system continues. I appreciate your efforts here today, Madam Chairman, on behalf of all of our employees. If I may be permitted to address one question to counsel relative to the COLA system. Being assigned in the American Embassy in Italy, we did receive COLA, based on whatever section it was, how can we apply in one area, and not apply it in specifically, the Virgin Islands relative to education?

Mr. McCLUSKEY. The law deals, one, in a foreign country, and this is a territory; plus, for your COLA may differ from area to area based upon the surveys. It is not uniform throughout the world, although the law reads that it may be provided up to 25 percent. It is up to the Civil Service Commission to determine through its own survey process what percent is for any given area.

Mrs. SPELLMAN. Again, my thanks to those of you who testified. You did a fine job. Thanks to all of you who have shown your interest. The hearing is adjourned.

STATEMENT OF DORENE E. CARTER, DIRECTOR, VIRGIN ISLANDS CONSUMER SERVICES ADMINISTRATION

Honorable Members of this United States Congressional Subcommittee on Compensation and Employee Benefits, House Committee on Post Office and Civil Service. It is with a great sense of responsibility that I have accepted the invitation of the Federal Employees' Cost of Living Defense Committee to present testimony before you regarding the cost of living in the Virgin Islands.

My testimony is in support of the cost of living allowance and is based on information available to me as Director of the Virgin Islands Consumer Services Administration (CSA). I believe that my training and experience in the field of nutrition and dietetics (B.S. in dietetics; M.S. in public health nutrition; Ph. D. in nutrition) further qualify me to testify as to the relative cost/value of consumer commodities being offered for sale in the territory. I am not an economist, nor is there an economist on my staff, therefore I will limit my statement to those areas of competence in which I am qualified, and leave the complex economical analyses to the economists from whom I am confident you will also hear testimony.

By way of background, the Consumer Services Administration has been monitoring food prices and some nonfood consumer commodities in supermarkets throughout the territory on a weekly basis for the past 2 years. Seven supermarkets are monitored on St. Croix, and five on St. Thomas. Due to staffing limitations, the surveys on St. Thomas have been carried out irregularly. Consequently, the price comparisons reported in this statement are based on St. Croix prices. Data available to us show that the average cost of the commodities are fairly similar on both islands, although in some instances they may be slightly higher on St. Thomas. Therefore, we believe that the conclusions derived from the St. Croix studies are applicable to the territory at large.

I will not delve into explanations as to the causes of price discrepancies between the Virgin Islands and the mainland. No doubt you have had or will have sufficient testimony with reference to such factors as freight costs, our import-dependent economy, the high cost of utilities, rental, insurance, lack of competition, absence of Government regulations, etc. which affect the final cost of consumer commodities. Instead, I will attempt to limit this statement to a presentation of actual data obtained for those commodities monitored by CSA, and to a few other general observations on the quality of consumer goods in the territory. As stated before, the complex analyses will have to be presented by those more qualified to do so.

A total of 116 food and nonfood commodities are priced weekly. These commodities are not weighted for season, local, nutritional contribution or any other param-

eter but are deemed to be the most frequently consumed commodities in the territory. From this listing, prices for 51 items are compared to those for Washington, D.C., and with the average U.S. prices as indicated in the U.S. Bureau of Labor Statistics' monthly "Estimated Retail Food Prices by City". Additionally, the cost of 37 of the 116 commodities are compared to New York City prices as obtained from the New York City Department of Consumer Affairs' "Weekly Market Basket". Occasionally, price comparisons are also made between Puerto Rico and the V.I., although fewer commodities (subject to price control in Puerto Rico) are measured.

The price data presented reflect the average prices noted in seven supermarkets on St. Croix. These stores are: 1. Pueblo, Golden Rock; 2. Pueblo, Ville La Reine; 3. Grand Union, Sunny Isle; 4. Super Foods, Estate Diamond Ruby; 5. Concordia Superette, Estate Concordia; 6. Oband's Supermarket, Estate Concordia, Frederiksted; and 7. People's Superette, King Street, Frederiksted.

All data obtained in our studies are available for inspection at the Office of the Consumer Services Administration. Since this data demonstrates consistently that the average prices in the Virgin Islands are more than 20 percent higher than mainland prices, only the summaries will be presented in the interest of time and for the sake of clarity.

Price comparisons between Washington, D.C. and the Virgin Islands and between the U.S. average and the Virgin Islands for September 1977 are typical of the type of differences generally obtained in our studies. September was selected as it is the most recent table of comparison available at this writing. Note that the items are subdivided into 6 groups, namely: 1. Cereals and bakery; 2. meats, poultry, fish; 3. dairy products; 4. fresh fruits and vegetables; 5. processed foods, and 6. beverages. The table shows that among the groupings, prices range from 13 percent (for cereals and bakery goods), to 43 percent (for fresh fruits and vegetables) higher in the Virgin Islands than in Washington, D.C. The overall average cost for the 51 commodities measured is 26 percent higher here in the Virgin Islands. Thus, as indicated, commodities which cost \$44.47 in Washington, D.C., would cost the Virgin Islands consumer \$56.25.

When the average U.S. price is used as the basis of comparison, prices range from 19 percent (for cereals and bakery products) to 52 percent (for fresh fruits and vegetables) higher in the U.S. Virgin Islands, with an average difference of 33 percent. Thus, a consistently higher cost of food in the Virgin Islands is noted compared to mainland prices in general.

Price discrepancies between the Virgin Islands and the mainland seem to broaden over time as suggested by the following: The weekly New York market basket survey, which is compiled by the New York Department of Consumer Affairs, showed prices in the Virgin Islands to be 19 percent higher than in New York City during July, August, and September of 1977. In October the difference was 21 percent, and in November and December the gap widened to 24 percent. More recent data show that for the week ending January 20, 1978, the average cost of those consumer commodities measured was 23 percent higher in the Virgin Islands than in New York City, ranging from a difference of 12 percent for processed foods to 49 percent for fresh fruits and vegetables.

An earlier comparative study (week ending July 15, 1977) of prices for commodities which are subject to price control in Puerto Rico, and similar items in the Virgin Islands where there is no price control, showed that commodities costing an average of \$28.74 in Puerto Rico would cost the Virgin Islands consumer \$35.35 or 23 percent more.

Unfortunately for Virgin Islands consumers, these discrepancies in food prices continue to prevail as prices skyrocket in the Virgin Islands.

The data presented illustrate only the superficial cost of foods in the territory. If the quality of the goods sold was weighed in these determinations, there is no doubt that the actual cost would be significantly greater. This conclusion is supported by the fact that obviously inferior food commodities, particularly meats, poultry, fresh fruits and vegetables are being marketed in the territory. As a result, many homemakers must discard a significant portion of these foods, either because they are outright deteriorated, or under-or-over ripe, or outdated, etc. Even when unuseable commodities are returned to the store it is at cost to the consumer, since he/she must pay for transportation or gasoline to and from the store.

Also, while mainland consumers have alternatives as to the mode of packaging and the quantity he/she wishes to purchase, Virgin Islands consumers must often purchase prepacked perishable commodities in quantities greater than desired or than could be used before spoilage. As a result, food which cannot be used within a reasonable period of time spoils and must be discarded, at a loss to the consumer.

This is particularly significant for single and small family units. These add hidden costs to the apparent cost of food in the territory.

There is little doubt that the Virgin Islands consumer receives less, nutritionally, for the amount paid for foods marketed in the territory, compared to his mainland counterpart. The nutritional value of fresh produce in particular, most likely decreases as a result of poor handling, lengthy exposure under unfavorable conditions, deterioration, and improper state of ripeness.

Before concluding, I wish to draw your attention to the fact that Virgin Islanders are paying approximately \$22 per month basic telephone rates, electric rates probably unheard of on the mainland, and similarly high prices for clothing which are often "seconds", housing, transportation, and essential services. I urge you to consider seriously any testimony presented with regard to these consumer commodities as they will clearly demonstrate that the overall cost of living in the Virgin Islands is significantly higher than on the mainland. Unfortunately the Virgin Islands Consumer Services Administration does not have sufficient data in each of these areas to present the essential figures to you at this time. I trust that it is available elsewhere.

In conclusion, I believe that the data presented clearly demonstrate that, at least in the area of food costs, Virgin Islands consumers are paying greater than 20 percent more for food than their mainland counterparts. Similar trends exist for other consumer commodities as well. It is on the basis of this knowledge that I fully support the Federal employees contention that a cost-of-living allowance for the Virgin Islands which reflects these discrepancies should be granted.

Therefore, on behalf of the Federal Employees Cost of Living Defense Committee, I join other witnesses in urging favorable consideration by this most distinguished committee.

MARTIN MARIETTA ALUMINA,
St. Croix, U.S. Virgin Islands, February 10, 1978.

Hon. RONALD DE LUGO,
*Congress of the United States,
House Office Building, Washington, D.C.*

DEAR CONGRESSMAN DE LUGO: In reference to your inquiry concerning the benefits paid by Martin Marietta to its St. Croix employees, the following information is submitted:

1. 20 percent Cost of Living differential on base salary.
2. Tuition paid for all dependent children attending private schools, Grades 'K' through 12—on island.
3. Medical Travel—a Hospitalization Round-trip ticket to Miami for any medical treatment requiring hospitalization; and b. Diagnostic or emergency treatment round-trip ticket to Puerto Rico upon recommendation of local physician.
4. Vacation Travel—equivalent cost in cash of round trip to Washington, D.C. for employee and dependent children residing with employee at the time vacation is taken annually.

I was unable to obtain the name of the organization who provided the Cost of Living data for us. However, if you would contact Bob McCallum, Director, Industrial Relations, Martin Marietta Aluminum, telephone: 897-6000, Ext. 6803, he will provide you with any additional information available.

Very truly yours,

PAUL J. ARNOLD,
Senior I. R. Representative.

COST OF LIVING ALLOWANCES

MONDAY, FEBRUARY 13, 1978

U.S. HOUSE OF REPRESENTATIVES,
COMMITTEE ON POST OFFICE AND CIVIL SERVICE,
SUBCOMMITTEE ON COMPENSATION AND EMPLOYEE BENEFITS,
Washington, D.C.

The subcommittee met in San Juan, Puerto Rico, Hon. Gladys Noon Spellman, presiding. Others present: Congressman Baltasar Corrada, Resident Commissioner from Puerto Rico; Ronald McCluskey, subcommittee counsel; and George Omas, subcommittee staff.

OPENING STATEMENT OF HON. GLADYS NOON SPELLMAN

Mrs. SPELLMAN. This hearing will come to order. We are convened this afternoon to take testimony on what appears to be problems in the formation and disbursements of the cost-of-living allowances, generally referred to as COLA, presently granted Federal employees in St. Croix, St. Thomas, and Puerto Rico.

As we understand the present law, as outlined in title 5 of the United States Code, section 5941, cost-of-living allowances may be granted to Federal employees stationed outside the continental United States, when it is found that living costs are substantially higher than those in Washington, D.C. However, the COLA allowance may not exceed 25 percent of an employee's base pay, and is to be paid in accordance with regulations prescribed by the President, who has delegated that authority to the Civil Service Commission.

Legislative history shows that the existing law relating to COLA was passed in 1948, in recognition of the fact that additional compensation is necessary to attract employees to areas which have especially high living costs. It was thought that the cost-of-living allowance would enable employees to purchase goods and services and to achieve a standard of living equivalent to that which the employee could maintain in the Washington, D.C. area, with his base pay alone.

As I see it then, the concept of COLA is basically one of pay related to an employee needs, which must necessarily bring into focus an employee's marital status, number of children, income level, geographic location, housing preferences, et cetera, with Washington, D.C., as a base factor.

Specifically, then, the subcommittee is holding this hearing here because it has been seriously contended by Mr. Corrada, and backed up by a voluminous number of letters from employees, that the allowance process, as presently administered, is not only extremely distorted, but discriminatory, and thus, cannot achieve its intended purpose. These employees point out that the survey used

to determine the percentage of the COLA adjustment is based on a family of four, husband, wife, and two children, and is only sent to male heads of households that fall into that category. As a consequence, the survey, it appears, reaches only 50 percent of the Federal workers in the islands.

Our subcommittee has been informed by staff of the Civil Service Commission that the family model of four, presently in use, was developed from the statistics they received in 1960. This is despite the fact that according to the National Commission on Working Women located in Washington, D.C., 40 percent of today's heads of family households are single men and women. Further, I am concerned about the apparent lack of stability which seems to be caused by the methodology used to determine the COLA percentage for the Puerto Rico, Virgin Islands areas.

We are particularly perplexed and hard pressed to logically understand how the Federal Government can justify giving a 12½ percent cost-of-living allowance to the San Juan area, which is the main seaport of Puerto Rico, where there is ample competition, while only granting a 5 percent allowance to the rest of the outlying areas of the island, to which all goods must be transported, and in which there exist little or no competition. Also, we have learned, that for a number of goods, there exist price controls throughout all of Puerto Rico.

Now, having said all that, I am ready to call upon our first witness, but I would like to first say, we will attempt to hear as many people as we possibly can this afternoon. Those of you who do not get to speak are welcome to submit your statements in writing, if you will, and send them to the office of Delegate Corrada. He will see to it we get them.

I might point out to you, that my good friend and colleague here is very deeply concerned over the plight of the Federal worker in Puerto Rico, and really, it has been my experience, he is very concerned about all the people in Puerto Rico. You have an excellent person representing you in Washington, D.C. He doesn't let us rest. He doesn't let us forget that this beautiful area is here, but that it has problems, and he is always down there attempting to work on those problems. Sometimes my arm is a little bit out of shape—he is especially concerned that you are not being heard from. Initially, I had not intended to come here, because whenever we come to a place where the sun shines as it shines here, and the water is as beautiful as it is here, and it is a delightful place to be as it is here, we are accused of being on junkets, so it is much easier not to come. It is much easier not to have to take that kind of flack back home, and frankly I initially said, "no, no, no," but your Delegate did not allow, "no" to be the final word, and he did everything to bring me here, and indeed he did bring me here. So, before we start, before we go on with the hearing, I would like very much to ask Mr. Corrada for any remarks that he might wish to make.

OPENING STATEMENT OF HON. BALTASAR CORRADA

Mr. CORRADA. Thank you, Madam Chairwoman, members of the subcommittee, it gives me great pleasure to welcome you to Puerto Rico to conduct this public hearing on the COLA problem. As you

said, I requested you hold this hearing in Puerto Rico so that you could hear from Federal employees on the island with regards to this very important matter. We will also hear from a panel of representatives from several local government agencies with regards to prices and cost data throughout the island. I would like now certainly to commend Chairwoman Spellman for agreeing to hold these hearings in Puerto Rico. As she said, it is quite possible that back on the mainland, even though I hope not, but in her own district some people may be saying that she was in Puerto Rico taking some kind of vacation at the taxpayers expense, but those people who will criticize will not be the ones who will be seeing your faces today and hearing the testimony today on what you believe to be an injustice.

Even though she may be criticized for coming here, I have to commend her for doing so, because in spite of that, she is here to listen to your testimony today, and I certainly want the record to show that this room, which is a relatively large room, has a considerable number of persons who are interested in this hearing and representative of thousands of other persons who could not be here today. In earlier testimony before this subcommittee in Washington, I detailed my concern over the Civil Service Commission's rulings to take the value of commissary and exchange privileges into account when computing the cost-of-living allowances. Although my concern in this area remain unabated, I will limit comments to the Civil Service Commission's 1976 review of the cost-of-living allowance in Puerto Rico, and the COLA rates.

In the 1976 review, rates for Puerto Rico created for the first time two allowance areas within island: Federal employees with duty stations inside the San Juan metropolitan area, receive 12.5 percent, while those employees with duty stations outside the San Juan metropolitan area receive 5 percent.

I am fully convinced that an island 35 miles wide by 100 miles long does not have sufficient cost and price differences within its borders to justify a difference of 7.5 percent in allowance rates.

Chain stores tend to sell goods at uniform prices throughout all their facilities on the island, whether in the San Juan metropolitan area or not. Other, unassociated retail establishments located in outlying areas do not face very much competition and therefore, have little incentive to maintain low prices.

Anybody who has lived or inasmuch as visited the area outside San Juan knows that there are many parts of the island which suffer from a poor availability of products as well as minimal diversification of goods and services. In addition, Puerto Rico has a price control mechanism, administered by the Puerto Rico Department of Consumer Affairs, which places a ceiling on the prices which may be charged for 14 food items. The prices of these items are controlled throughout the island. In light of the above it is extremely difficult to comprehend how the Commission found these prices significantly lower than those in the San Juan metropolitan area.

While I fully agree that the prices and costs in the San Juan area relative to those in the Washington, D.C. area, require a 12.5 percent cost of living allowance rate, I believe that the 5 percent rate for Federal employees outside the San Juan area should be

adjusted upward in order to reflect the economic realities of the area.

I would like to turn now to what I believe are a number of errors in the methodology and administration of the COLA surveys.

Perhaps the most unfair aspect of the survey is that the Federal employees receive COLA payments according to the location of their duty station. I need hardly document the fact that most people do their shopping near their homes, not their jobs. In the specific case of Puerto Rico, there are many Federal employees who live in the San Juan metropolitan area yet work in the outlying areas. This means that an employee may receive a COLA of 5 percent yet do all his or her shopping in an area which, by the Commission's very figures merits a COLA of 12.5 percent.

Executive Order 10000, section 205(b)(1) and chapter 591, subchapter 2-1(b) of the Civil Service Commission Federal personnel manual provide that, in the establishment of allowances the Commission:

Shall give due consideration to the differences in goods and services available and to the manner of living of persons employed in the areas concerned in positions comparable to those of U.S. employees in the areas.

The most compelling evidence of the Commission's evasion of section 205(b)(1) is the use of a table of weights derived from an outdated 1960-61 Bureau of Labor Statistics (BLS) consumer expenditure survey. This survey was conducted in the Washington, D.C., metropolitan area and is used to determine what percentage of an average Federal employee's salary is expended on any 1 of 14 separate consumer goods and services categories established by the Commission. The result is that unadjusted living and expenditure patterns for the Washington, D.C., area are being imposed on areas which, by their very location have different living conditions. This represents an unacceptable margin of error.

The allowance rates are the result of a comparison study between living costs for Federal employees in the nonforeign areas, off the Continental United States and living costs for Federal employees in the Washington, D.C., area. It is my firm belief that no such comparison can adequately reflect the true state of affairs without taking into consideration variations in income levels between the places being compared. The Commission does not take the variations into account when comparing prices in food, clothing, furnishings, medical care, transportation, or any other category, with the exception of housing.

As of March 31, 1976 the average salary for a full-time general schedule (GS) employee in Puerto Rico was \$13,303 while the figure for the employees in Washington, D.C., was \$17,961. More specifically, 45.5 percent of all GS employees in Puerto Rico are between GS-1 and GS-5 while only 24.5 percent of the Federal employees in Washington, D.C., are between those grades. On the other hand, 46.5 percent of the GS employees in Washington, D.C., are between GS-11 and GS-18 while the appropriate figure for Puerto Rico is only 22.8 percent.

The very fact that the salaries earned by Federal employees in Puerto Rico as a whole are significantly lower than the Washington, D.C., area will necessarily affect family budgeting decisions, thereby causing variations in what weight a particular good or

service will carry in the employee's expenditure pattern. According to the table of consumer expenditure weights used by the Commission 5.4 percent of an average Federal employee's budget is allocated for the purchase of an automobile. This may be fine in Washington, D.C., where an average new automobile costs \$3,941 and 5.4 percent of the employee's salary allows him or her to cover 20.8 percent of the price of the car. What of the outlying areas like Puerto Rico where an average new automobile costs \$6,272 and 5.4 percent of the employee's salary (including a 5 percent COLA), allows him or her to cover only 12 percent of the price of the automobile? Madam Chair, it is statistics like these which lead me to believe that there are serious inequities in the way the Civil Service Commission administers the COLA program.

It is my understanding that as part of the COLA program the Commission conducts surveys by distributing "living pattern questionnaires" to Federal employees in the various areas. The answers to the questionnaires lead the Commission to gather pure data from the places most frequented by the responding Federal employees. These questionnaires are distributed periodically, with the most recent distribution in 1974 (implemented in 1975) and the next one not being expected until 1979 or 1980. It boggles the mind to think that the 1980 allowance rates for Federal employees in Puerto Rico will be based on preference voiced by Federal employees in 1974. Basic knowledge of current economics, specifically as it relates to the economy of Puerto Rico, is all that is necessary for one to realize that the Commission should not make wholesale assumptions of this nature when disbursement of a Federal benefit is at stake.

This concludes my statement. I would like to reiterate my welcome to the subcommittee and commend you for holding this hearing in Puerto Rico.

Mrs. SPELLMAN. Thank you.

I just want to let you know that I heard some things on the radio this morning that made me wonder if I was going to be meeting with you today. The radio earlier reported, this morning, that I had been killed in St. Croix. So, you see, I am even more delighted to be with you this afternoon than you. As Mark Twain would have said, "The reports of my death have been greatly exaggerated."

Our first witness will be Mr. Carlos Quiros, secretary of labor and human resources.

STATEMENT OF CARLOS S. QUIROS, SECRETARY OF LABOR AND HUMAN RESOURCES

Mr. QUIROS. Hon. Gladys Noon Spellman and members of the subcommittee: My name is Carlos Quiros, secretary of labor and human resources. I have with me Violeta Paradis, assistant secretary of consumer affairs, and Dr. Miguel Rivera Rios.

First of all, I want to thank you for the invitation to present a position of the department of labor and human resources with respect to cost-of-living allowance differentials decreed by the U.S. Civil Service Commission for Federal Government employees in Puerto Rico.

The U.S. Civil Service Commission, with its cost-of-living allowances, COLA program, intends to compensate employees for major differences in living cost with Washington, D.C.

In 1976, a review of the cost-of-living allowances that are paid to eligible employees in Puerto Rico was conducted. This revision led to a report making additional recommendations for computing cost differences and setting allowance rates for all eligible employees.

In the past, indexes for all of Puerto Rico were based on price and cost data obtained from only the San Juan area. In 1976, the survey was expanded to include six other locations, Arecibo, Aguadilla, Humacao, Guayama, and Mayaguez. The reason for this change was to help assure that allowance rates paid reflect as closely as possible the living cost difference that exists in those locations where employees have duty stations. Based on the survey findings, the data show that in total, costs in the San Juan area are higher than in the other locations. Due to this fact, the Commission decided to establish two allowance areas within the commonwealth. One area consists of the San Juan standard metropolitan statistical area and the second is identified as, outside San Juan.

The allowance rates approved for each area based on the 1976 review were as follows, San Juan area—12.5 percent, and outside San Juan area, 5 percent. The effective date of these adjustments was August 1977.

The position of the department of labor and human resources is that the cost-of-living differential given to Federal employees in Puerto Rico should be the same for both, residents in the San Juan standard metropolitan statistical area and those from the rest of the island. This rate should be equivalent to those assigned to employees of the San Juan metropolitan statistical area, that is 12.5 percent. The figures provided by the Puerto Rico Consumers Price Index support our position.

The Consumer Price Index measures, between two given periods, the average relative change in retail prices for the goods and services usually consumed by families in Puerto Rico. It is calculated using as the base an average of the price level recorded by those goods and services during the year 1967. This average price level is expressed as 100 percent, and is in relation to it that relative changes registered before and after that year are measured. Thus, an index of 90 shows that the average retail price level is 10 percent lower than in the year 1967, while one of 110 shows the opposite.

This index has been calculated every month since January 1943. Prior to that date, estimates were prepared for March and December 1941, and for June and December 1942. The goods and services, as well as the weights on the basis of which this index was established, were obtained from a survey of income and expenditures for families conducted in 1941 and 1942. During the years 1952 and 1963, similar surveys were conducted in order to revise the index structure, so as to update it with regard to changes registered in the buying habits of families.

At present, the index is computed using the retail prices for about 193 goods and services which were selected in such a way as to represent all goods and services bought by families in 1963.

These goods and services have been grouped into 4 major groups and 31 subgroups. The four major groups are: food, clothing and related services, housing, and miscellaneous goods and services, including tobacco and alcoholic beverages, medical and personal services, education and recreation, transportation.

With the exception of about 15 goods and services, among which can be mentioned residential rents, new autos, dental and medical services, et cetera, which prices are compiled every 3 months, prices of the remaining goods and services are collected monthly through visits to nearly 1,100 retail outlets located in San Juan, Caguas, Arecibo, Ponce, Mayaguez, and Utuado. Those establishments include all types of outlets where families usually buy their goods and services.

In order to prepare estimates of price changes by regions, the island was divided into the following areas: Metropolitan San Juan, coastal, west central, and east central. The following towns were chosen to represent those areas, San Juan for the first one, Ponce, Mayaguez, and Arecibo for the second one, Utuado for the third one, and Caguas for the latter.

The statistical formula used in the computation of the Consumer Price Index is that of the fixed weight aggregative method, which consists basically in comparing every month the value of the 193 goods and services at current prices, with the value at 1967 prices, and then multiplying that ratio by 100 to get the current index.

Annual increases in the Puerto Rico Consumers Price Index between 1967 and 1972 ranged around 3 and 4 percent. Increases after 1972 rose sharply leveling off in 1976 when the annual increase dropped to 2 percent. Between 1976 and 1977, the annual increase was 4.3 percent.

As shown in annex A, a comparison of the increases in the index from 1972 to 1977 shows that there is not a sharp variation between the San Juan metropolitan area and the rest of the island. Increases in the index for the San Juan metropolitan area were slightly lower than those for the rest of the island.

Annex B shows the purchasing power of the dollar in Puerto Rico by areas for calendar year 1977. These figures demonstrate that the purchasing power of the dollar is lower in the areas outside the metropolitan area of San Juan.

Based on these figures we conclude that the cost-of-living allowance differential for employees of the Federal Government in Puerto Rico should be the same for all employees. We, therefore, recommend that the differential for the employees of the rest of the island be raised to 12.5 percent. Thank you.

Mrs. SPELLMAN. Thank you very much for your testimony. I think, rather than ask questions of you at this time, we will hear the rest of the testimony, because many of those questions will be answered by all of you.

[The attachments follow:]

COMPARISON OF THE CONSUMERS PRICE INDEX IN PUERTO RICO 1972-77, SAN JUAN METROPOLITAN AREA
AND REST OF THE ISLAND

Year	Puerto Rico		San Juan metropolitan area		Rest of island	
	Index	Percent increase from 1972	Index	Percent increase from 1972	Index	Percent increase from 1972
1972.....	117.9		117.2		118.2	
1973.....	126.6	7.4	125.7	7.3	127.0	7.4
1974.....	151.7	28.7	146.6	25.1	153.9	30.2
1975.....	164.7	39.7	157.6	34.5	167.7	41.9
1976.....	168.0	42.5	161.4	37.7	170.8	44.5
1977.....	175.3	48.7	171.1	46.0	178.9	51.4

Source: Commonwealth of Puerto Rico, Department of Labor and Human Resources, Bureau of Labor Statistics.

Purchasing Power of the Dollar for Calendar Year 1977—1967 equals \$1

Area	Purchasing power
Puerto Rico.....	\$0.57
Metropolitan.....	.58
Coastal.....	.56
West central.....	.56
East central.....	.55

Source: Bureau of Labor Statistics, Department of Labor and Human Resources.

**STATEMENT OF VIOLETA PARADIS, ASSISTANT SECRETARY,
DEPARTMENT OF CONSUMER AFFAIRS**

Ms. PARADIS. My name is Violeta Paradis, born, raised, and living in Puerto Rico. I am an employee of the government of Puerto Rico serving as assistant secretary for the department of consumer affairs.

My presence and testimony before this honorable Subcommittee on Federal Employees Benefits and Compensation, responds to the interest of the department of consumer affairs, whom I represent on this occasion, in contributing toward the fair and equitable solution of the claim before you for consideration.

The role of the consumer affairs department, in the long history of Puerto Rico's fight against inflationary trends is of paramount importance. The substantial dependence of this small and overpopulated island, on imports has made it very difficult to keep the lid on food prices. The situation had been approached on a crisis to crisis approach since the Second World War, when a price control program was started and continued in post war years. Price control originally was directed especially to basic food commodities and house rentals. The consumers plights led to expansion of the program into the other areas, further legislative measures and increase of the list of commodities under control.

On April 23, 1973, law No. 5 was approved which brought into one piece of legislation all previous regulatory price control powers under a department of consumer affairs, with a stated policy of full commitment to protect the consumer, halt inflation trends, and regulate prices and goods and services in common use.

Contributory to the need for such an instrument of protection is the fact that the import market is highly monopolistic and controlled by a limited group of continental and local businessmen. Since approximately 46 percent of the basic food necessities consumed in the Island are imported from the mainland, price soaring

is amenable to proliferate. Our price levels are affected by production, marketing and distribution costs in the United States and changes beyond our control aggravated by inland and sea freight transportation costs, insurance, handling, plus distribution costs and profit margins of importers, distributors, wholesalers and retailers, all after their lion's share, before the product reaches the consumer.

No wonder then, that the CAD under organic law 5 has been given the power of fixing, regulating, controlling, freezing, and revising prices, profit margins, and rates of return to invested capital at all levels directed to protect the consumer from unjustified price increases. It has also given the CAD the legal remedies that might be necessary to carry out the intent of the law and force compliance with rules, regulations, orders, resolutions, and determinations through the imposition of fines and penalties when such are warranted.

Statistics from our department of labor and human resources for January 1977 as measured against 1967 prices, fixes the value of the wage earner family dollar at \$0.56. The impact of this reality on the meager budget of most of the native families is obvious.

The items under price control by the CAD are those of basic necessities including such staples as meats, rice, beans, potatoes, bread, and evaporated and powdered milk. Also, under control are non food items such as cement, tooth paste, detergents and disposable diapers, among others. All are basic commodities on which the competitive level is not adequate.

The maximum price for products under control are periodically revised up or down on the basis of fluctuations detected from market news and reports received from different sources. There are different price control mechanisms for different products containing different price control regulation. Some regulations provide for changes upon petitions only; others permit changes without petition, but subject to justifications which, if not satisfactory, are subject to a price rollback.

The CAD prepares weekly price orders to reflect the price changes that occurred during the week. These orders are published in any newspaper of large islandwide circulation. The price orders show the date upon which the new price is in effect. Such publication permits the consumer to learn of the price increase or decrease of the product under control. Besides it is mandatory for every retailer to display visibly the price lists so that the consumer can protect himself from overpricing.

The significant aspect of this price fixing program and which have a bearing on the issue before your consideration is that prices as fixed apply uniformly throughout the Island. There is no difference as between the San Juan metropolitan area and the remainder of the island, including urban and rural areas. To watch into the compliance of our price control programs, a cadre of inspectors throughout the island stationed in San Juan as well as in our five regional offices, conduct periodic inspections to check pricing and police price violations. Compliance with our orders is generally good. Prices are fixed by CAD at a maximum selling price. Although we would like retailers to sell below the ceiling, this howev-

er, is not the general practice. It only happens occasionally during special sales to attract consumers to their business site.

The department periodically conducts surveys of prevailing prices for both controlled and noncontrolled commodities. The purpose is both educational and operational. It is educational because the results are published and it helps consumers into knowing which supermarkets rank first in the list showing where shopping is cheaper.

A most recent survey was directed toward finding price differentials at different geographical areas. Of course, prices on controlled items did not show any difference except on the occasions of special sales mentioned before. However, with uncontrolled items, the findings were different and rather surprising. Prices of some uncontrolled goods turned out to be higher in establishments outside the metropolitan areas. Salad tomatoes for example were found to be 22.5 percent higher, fresh pumpkin 45.2 percent higher, green bananas 21.1 percent, oatmeal 2.7 percent and hot dogs 6.3 percent higher. No price differential was noticed in 55 percent of all goods surveyed.

In other surveys, there were studied the pricing situation among San Juan metropolitan area supermarkets.

Two types of establishments were considered. First, those supermarkets that besides having establishments in San Juan, also had establishments in the remainder of the island, and second, those supermarkets in the metropolitan area which do not have establishments outside San Juan. Those in the second group are either single large establishments or medium size local chain supermarkets.

The results revealed that there were differences in the overall between these two groups. Establishments within the second group had lower ranks. That is, they showed cheaper prices than large chain supermarkets with outlets all over the island.

Although there were no noticeable differences in the prices as between chain supermarkets in the San Juan area and their establishments in the remainder of the island it is noteworthy that independent large establishments in the metropolitan area had cheaper prices. Of course, neither independent large nor local chain supermarkets are common outside the metropolitan area. Thus, consumers living out of the San Juan area do not have access to them and have to do their buying in small independent stores in their areas, where prices are usually higher because of their rather small volume of business, their dependence on local wholesalers, and their small inventories which have to be replenished frequently. They do not have the funds necessary to take advantage of direct importations and bulk buying.

We have brought before your consideration findings which tend to establish that there are no significant differences as between the cost of living in the San Juan metropolitan area and other areas in Puerto Rico. At least in our work, we have never found any justifications for different treatment in price fixing and controls.

We take the opportunity to express to the presiding House Representative Hon. Gladys Spellman, our thanks for the opportunity to offer testimony, and her gentleness in holding this hearing in Puerto Rico. Thank you.

Mrs. SPELLMAN. Thank you very much. Our next witness?

**STATEMENT OF DR. MIGUEL RIVERA-RIOS, CHAIRMAN OF THE
PLANNING BOARD**

Mr. RIVERA-RIOS. Hon. Chairwoman Mrs. Spellman, Hon. Congressman Corrada, counsel, staff members of the subcommittee:

My name is Miguel A. Rivera-Rios, chairman of the planning board. My presentation will just take a few points within the broader context of the problem which is under consideration this afternoon.

The cost-of-living allowance as applied in Puerto Rico was enacted in 1948. The objective of the program was to help to compensate for differences in living costs between Washington and other areas. Executive Order 10000 limitations on eligibility and maximum amounts to be paid. Section (b)(2) of the aforementioned Executive order states that the Commission will "make appropriate deductions when quarters or subsistence, commissary or other purchasing privileges are furnished at a cost substantially lower than that prevailing in the local environment."

Cost-of-living indexes are used to set the allowances. These indexes are based on surveys in the allowance area of both local private and military commissary facilities.

In applying the Executive order, the Civil Service Commission undertook surveys of the Puerto Rican local market and commissary facilities to establish the relevant comparative prices to be used there in the cost-of-living indexes. The methodology used in the estimation of the cost-of-living index was carefully examined by our economist and statisticians. We have found, according to the best practices in statistics that the methodology can be considered somewhat weak and that its application could adversely affect those living in Puerto Rico eligible for this assistance.

For example, prices were weighted by weights based on the proportion of typical family budget expenditures for the specific item category in the United States. The weights were derived from the 1960-61 Bureau of Labor Statistics Consumer Expenditures Services.

We believe, the consumer basket of goods and services of a typical family in Washington or in the United States cannot be compared with the same in the city of San Juan, or in Puerto Rico, and more significantly, may even be distorted in comparisons of other U.S. cities with Washington.

In the case of Puerto Rico with its distinct climate, cultural traditions and consumption patterns, partly patterned on mainland patterns, a direct comparison of consumption budgets and weights useful for Washington should be more closely evaluated before applying or not applying the cost-of-living adjustments.

Possibly, a better approach could have been used to derive weights from the family budget study conducted by the Puerto Rico Department of Labor in the fiscal year 1962-63.

Notwithstanding the age of this study, it can be considered no worse than the BLS study undertaken in 1960-61 in determining the weights used in establishing the "market basket". And, more importantly, the family budget study could have used to reflect a better weighting of consumption patterns within the Puerto Rican

market basket. We should note that since 1961, the items included in the basket have changed radically, but more importantly, the weights applied to different categories of goods and services have been altered, for example, the energy crisis has caused a shift in family expenditures toward energy intensive items, thus distorting greatly the market basket and weights in the most recent years.

I would like to introduce a few examples to demonstrate where the present methodology can distort the present index. In the case of the personal care item used in BLS study, the weight given is 3.7, while in the Puerto Rico family budget study, the weight was only 0.6. For the automobile purchase item, the U.S. weight was 5.4, while the Puerto Rico based weight was 1.7. These few examples can be expanded radically as a number of weights used in the Puerto Rico study are different from the U.S. study.

In addition to the weighting problem, there is another procedure in the methodology that causes concern. For each item within a category six prices are taken, three prices for each item from two establishments, including the case of Puerto Rico military exchange facility. If the exchange facility is included in the establishments surveyed, then, we believe, the weights should reflect the proportion of items available or not available from the facility to determine the importance of the facility to the total market basket. In addition, if one establishment is a military facility, we would wish to know the weight attributable to it in comparison to the local establishment. What is the weight given to each? Assuming equal weighting, for example, 50-50 purchases as between local and commissary facility, we would assume the Federal workers would use each facility equally. We believe, however, this assumption to be grossly distorting in the sense that the Federal worker would have equal access to both locations. But, in fact, many workers do not live close to the commissary facility implying that they may use the local market more frequently than would be assumed by the methodology.

A typical set of weights based on Puerto Rico Planning Board estimates are shown in table 1 for the fiscal year 1977. One can observe, even if the data is not strictly comparable, that 16 years after the original study, our typical basket gives quite different weights for the different categories of items.

A recent survey in Washington, D.C and San Juan, P.R. of food prices conducted by the consumer's affair department shows that in most products surveyed prices were higher in San Juan than in Washington. The table 2 shows some of the items surveyed.

These data tend to show that prices of food items are higher in the San Juan area than in Washington. Even if the sample is very limited, there is no doubt that people in a less developed area like Puerto Rico devote a considerable share of total expenditures to food items. There is also no doubt about the fact that we are an island economy causing transportation and distribution costs to be higher than for the United States. Although allowances for shipping costs may have been taken into consideration, the methodology used in adjusting for transportation cost is not clear to us. Therefore, we would like to have more information regarding this element of the methodology.

The fact that transportation and distribution costs in Puerto Rico are a considerable part of the intermediate inputs used in production, we suspect that these markups make prices in Puerto Rico considerably higher than in the United States.

Based on the above arguments, we suggest that the methodology used in computing the cost-of-living indexes be revised and weights derived from Puerto Rican data be used. We believe these changes could give a more accurate picture of conditions in Puerto Rico. If the above mentioned changes are introduced in computing the cost-of-living index, and this results in higher prices in San Juan compared to Washington, then steps can be taken to maintain the COLA payments. Meanwhile, we think the decision to stop COLA payments may be inadvisable prior to review and possible implementation of the suggested changes. Thank you.

Mrs. SPELLMAN. Thank you very much. I am really quite puzzled after hearing the testimony on the difference between the cost-of-living adjustments here in the metropolitan area and elsewhere. Are the rentals lower in outlying districts, Mr. Quiros? I am puzzled by the Civil Service Commission's findings that the cost-of-living adjustment should be lower in areas outside the metropolitan areas, and I wonder if rent was cheaper, that is, the cost for housing?

Mr. QUIROS. Actually, as far as rentals are concerned in our CPI, the weight is only 14.9. Food was given 49.2 weight. Clothing weight 9.2, and miscellaneous goods and services, 6.7. That is the four major areas that I mentioned in my testimony, but, you would like to have just rent?

Mrs. SPELLMAN. I am trying to figure what costs are lower in the outlying areas from those in the metropolitan area. From the testimony that all of you gave, it would appear the differences in cost for the most part would be higher outside the metropolitan area. So, the one thing I could think about was perhaps rent.

Mr. QUIROS. What happens is the way we do it. Maybe a hundred outlets, we go monthly for the price in going through the computer, and it is just by areas. We don't go into one specific item.

Mrs. SPELLMAN. When the Civil Service Commission developed these formulas, did it ever contact any of you, any of the Government agencies to work with them to show them how it bases their areas?

PANELIST. Some years ago, maybe 3 or 4 years ago some of the people used our office just to make those type of thoughts, but they collected the prices on their own. We don't have any type of relationship as to the preparations of these things.

Mrs. SPELLMAN. Have you ever requested the Civil Service Commission to work it over with you so you can see what it is they are doing?

Mr. QUIROS. We just recently contracted with the U.S. attorney because based on the 1963 basket, we are talking to the people in the States to help us out just to be sure the end result would be similar to the same procedures in the States.

Mrs. SPELLMAN. You are aware that for 193 items that the Commission considered, you wouldn't be able to compare its figures with yours. Have you ever taken those same items and evaluated them?

Mr. QUIROS. No. We don't have 193. Back in 1963, I arranged—not sent out, but taken out to 200 names, the same questionnaire that would take 3 hours to answer it, so once that is complete, we determine which product, which service could be used for comparable basis, so that was done in 1963. We came out with other 1963 items. I don't know whether the Civil Service Commission themselves did it, they probably contracted someone to do it. They didn't contract us. We had no input whatsoever in the items to be checked for the weight to be given to those items.

Mrs. SPELLMAN. Mrs. Paradis, how many food chains are there in San Juan?

Ms. PARADIS. The supermarket chains, well, we have about nine.

Mrs. SPELLMAN. Are they located throughout the whole area, or just in the city?

Ms. PARADIS. There are a few of them—as a matter of fact, there are eight, and of that eight, two of them—three of them are just in the San Juan metropolitan area, so there is a chain with outlets, but all in San Juan. And, there is another one that has certain outlets in the metropolitan area, and a couple of them in other parts of the area, but they are not as really important, and the largest one, that has chains all over the island. There are four, and even two of those four, two of them are just outlets that they have in the other parts of the island. They are small like superettes, not even supermarkets.

Mrs. SPELLMAN. That is interesting because obviously food that is purchased in the smaller stores would be more expensive.

Ms. PARADIS. Right, that is what I said in the last part of my testimony.

Mrs. SPELLMAN. You indicated that there are items with fixed prices throughout the whole island, but they wouldn't be any higher or lower outside the metropolitan area. Are they? They would be fixed everywhere?

Ms. PARADIS. We determine and set a ceiling, but our experience has been that usually they are set on that ceiling.

Mrs. SPELLMAN. So that the cost would not be lower outside the metropolitan area?

Ms. PARADIS. Just in some cases. The metropolitan area, they make them to make people go.

Mrs. SPELLMAN. Do you mean you were talking about the weights in the formulas? I am not quite sure I understand. Are you saying that in Puerto Rico, people live differently? Is that the idea, and that there would be more emphasis on food than on other items?

PANELIST. That is correct. Some prices are identical on the mainland, and some items figure more prominently in the family budget, and these differences are taken into consideration.

Mrs. SPELLMAN. You use the automobile as an example?

PANELIST. Yes; and also that those habits and the different weights must have been changing throughout the years, and they are also not taken into consideration.

Mrs. SPELLMAN. So, when we measure you by the mainland standards, we are not really measuring a proper way of life in Puerto Rico?

PANELIST. That is correct.

Mrs. SPELLMAN. In the mainland, we speak of 5.4 percent for an automobile, you don't use automobiles to the same extent here?

PANELIST. Those are ways we are talking about, and all of those have been changed, but in general terms, usually encountered in the developing of economy, families tend to spend larger proportions of their family budgets in things like food, and as their general living increases, there is a shift although they may be consumers in the street, it determines more food in the proportions, relatively speaking, than tends to be lower portion of the budget. This type of changes are not shown in this consideration apparently because these studies are so old, so any decision that could rule or curtail under such weak data, needs adjustment.

Mrs. SPELLMAN. That is interesting. Have you talked to the local civil service representative here about your analysis?

PANELIST. We have been, for the past few years, striving to construct in Puerto Rico a consumer's index, Department of Labor, and our department has been talking about this because there is a real need for it. It is quite costly, the study that has to be made, and it is a great need for it. We are in great need of that. In the meanwhile, we are just guessing at things, and whatever kind of decisions that work against the people has a base of injustice in it.

Mrs. SPELLMAN. Have you ever put down in writing your analysis to the Civil Service Commission?

PANELIST. I don't know where my department has it in writing. Not that I am aware of. This has been discussed openly for several years now, and whenever these threats come up, this has been pointed out repeatedly, that these figures are based on shaky ground.

Mrs. SPELLMAN. That is very interesting testimony, and I must admit, this is not something I personally considered before, this difference in the way of living, and the difference in the weight the people put on the various items that we call part of the cost of living. We certainly want to look into that. Congressman?

Mr. CORRADA. I don't want to ask too many questions since we have many witnesses and so little time, but Mr. Quiros, or Mrs. Paradis, what is the weight given to the element of housing by your department for the purposes of the consumer price index?

Mr. QUIROS. To housing, itself, a shelter, 3.1, and to housing as a whole, is a weight 14.9, shelter, 3.1, house furnishings services, 11.8.

Mr. CORRADA. How did your department arrive at the specific weights given to each of the elements considered in order to determine the cost of the CPI?

PANELIST. It is derived through government surveys where a sample of the family is interviewed and information is gotten as to the income and expenses, specifically in this case, the expenses of the family. According to the amount of money they spend based on the budget of the person, then the proportions are established. For example, may I say, that for food, you have a large proportion, and for other articles, or group of articles, their proportion is lower.

Mr. CORRADA. So, based on the survey conducted by the Department, the weight given to the element of housing was around 14 percent.

PANELIST. Around 14 percent, that's right.

Mr. CORRADA. Would that be an indication that a typical family in Puerto Rico would be, on the basis of your survey expending close to 14 percent, of its budget for those purposes?

Mr. QUIROS. But, housing, remember, includes house furnishings and services. I could give you a copy of the booklet, consumer prices in Puerto Rico because 193 items, the weight given to them, plus tell you once again, is surveyed back in 1963, but as my good friend, Miguel, pointed out is as good as the one in 1961 or 1962. This is the one we use mostly.

Mr. CORRADA. Going a little further, let's assume that in Washington, D.C., it so happened that at some point in time, a number of years ago, 25 percent of the family budget was used for housing cost, or taking care of housing expenses by the family. Now, if you did not make adjustments in terms of determining the precise impact of housing costs in the Puerto Rican family budget of a Federal employee in Puerto Rico because of the specific demand for his dollar, wouldn't there be a distortion in terms of the actual cost-of-living expenses of that family, if that adjustment was not made?

Mr. QUIROS. Yes.

Mrs. SPELLMAN. Thank you, very much.

STATEMENT OF JUAN A. FLORES, GENERAL PRESIDENT, CARIBBEAN AREA LOCAL, AMERICAN POSTAL WORKERS UNION, AFL-CIO

Mr. FLORES. For the record, I am Juan A. Flores, general president of the Caribbean Area Local, American Postal Workers Union, AFL-CIO. I represent over 1,200 postal employees within the jurisdiction of the American Postal Workers in Puerto Rico.

I wish to commend the chairwoman and members of this subcommittee for conducting this hearing.

In behalf of the members of the American Postal Workers Union on this island of Puerto Rico, I would like to express my views and the views of the APWU concerning the issue on COLA reduction to Federal and postal employees outside the San Juan metropolitan area.

The Consumer Price Index computed by the Puerto Rico Department of Labor indicates the purchasing power of the dollar at the consumer's level and its fluctuations at the price levels registered in Puerto Rico. Such index computations are done on a monthly basis and involves the surveying of nearly 200 specifications, including food, housing, clothing and accessories, transportation, and medical services. At the present time this computation constitutes an indicator of great importance, not only for the formulation of public policies but also to measure the impact of the economic policy cycle.

The prices of goods and services are surveyed monthly in the San Juan metropolitan area and in other cities and towns of the island. The results obtained in these surveys provide us with a clear idea of the fluctuations in price levels between different geographical areas of the island.

The Civil Service Commission, in a revision of the cost-of-living allowance applicable to Puerto Rico, determined that the cost of living was higher in the San Juan metropolitan area than in the

other municipalities of Puerto Rico. Facts in our possession demonstrate that the Commission's decision is inaccurate.

The rate of increase in the price level registered during the past 10 years demonstrates that prices in Puerto Rico increased at a rate of 7 percent. In the San Juan metropolitan area, however, the annual rate of increase was 6.6 percent. On the other hand, the rate of increase of the prices in other geographical areas of Puerto Rico has been definitely higher. In the coastal zones prices increased at an annual rate of 7.4 percent, in the central west zone 7.6 percent, and in the central east zone 7.7 percent. Based on these facts, it is noted that the price levels have increased at a more accelerated rate in the central and coastal areas than in the San Juan metropolitan area. The budget of the Puerto Rican family, of which we Federal and postal employees are part, has been more adversely affected by price increases in those areas than in the San Juan metropolitan area.

The past 5 years have been characterized by huge increases in prices of goods and services. There are several reasons for this situation in many instances, similar to those of the continental United States, with the additional burden that to the prices on the continent we must add transportation costs, handling and distribution costs in Puerto Rico. The inflationary crisis registered its most critical period during 1973, 1974, 1975. The increases in the price levels were 7.4 percent, 19.8 percent, and 8.6 percent, respectively, and such levels were the same in all the different geographical zones, although some areas were more adversely affected than others.

During 1974, when the price level increased by 19.8 percent prices of the same goods and services in the San Juan metropolitan area increased by 16.6 percent; in other words, the increases registered were lower than that registered on the entire island. However, in the coastal area the increase was 21.1 percent and in the central west was 24.4 percent. These tendencies may be more clearly observed in the table I have submitted with this testimony. A similar tendency is observed through the rest of the years included in the table, always showing a larger increase in the coastal and central areas than in the San Juan metropolitan area.

During 1976 and 1977, the increase in the price level corresponding to the San Juan metropolitan area was a little higher than in other geographical areas of Puerto Rico.

Even when that tendency was observed in 1976 and 1977, the price level was lower in the metropolitan San Juan area than in the rest of the island. If we check the table and the graphic attached to it, we will notice that it clearly illustrates this situation. Although the price index in San Juan spiraled to 161.4 during 1976, in the rest of the island the price index registered 170.4, 171.9 in the coastal, central west and central east zones, respectively. The same condition is reflected for 1977. Even though the price index reached 171.1 in San Juan, it went up to 178.3 in the coastal area, 179.6 in the central west area, and 181.2 in the central east area. The deceleration registered in the price level outside the San Juan metropolitan area during the last 2 years has not been sufficient to provoke a noticeable reduction in such price level.

Perhaps one of the major factors to determine the effect of an inflationary pressure on the consumer's budget is the cost of housing. Housing is not only an item to top priority in the family budget, but a costly one, and it constitutes a high percentage of the total family income.

An unpublished and preliminary study submitted to the Puerto Rico Planning Board, which analyzes the public and private housing sectors in the island, presents a series of findings that should be considered. But, with that study mentions the average price of the typical private housing in 1973 and 1976 by geographical areas. In 1973, a typical new house in metropolitan San Juan was priced at \$31,760. In the Caguas area, as well as in Ponce and Mayaguez together, the price of the typical unit was \$22,930 and \$31,750, respectively. In the rest of the island, the price was \$23,610. A considerable difference in prices could be noted between the San Juan area and the Ponce and Mayaguez area against the Caguas area and the rest of the island.

During 1976 the difference in prices by geographical area was reduced considerably. In the San Juan metropolitan area the price for a typical new house increased to \$34,250. In Caguas the price increased to \$32,980 and to \$39,220 in the Ponce and Mayaguez area, while in the rest of the island the price of a typical new house reached \$32,930. It should be important to note that the typical home unit became more expensive in the Ponce and Mayaguez area than in the San Juan metropolitan area.

An outstanding fact is derived from the above figures. As a result of considerable increases in the price of housing outside the metropolitan area, an outstanding reduction in price differences is noted. While the increase registered in the cost of a typical new home in metropolitan San Juan was only 7.8 percent between 1973 and 1976, in the Caguas area the price of a typical new home increased to 43.8 percent. At the same time, in Ponce and Mayaguez the increase was 23.5 percent while it was 39.5 percent in the rest of the island.

Another interesting fact noted in the study is the increase in the resale of a typical family home. In the San Juan metropolitan area the increase was 12.7 percent. Except in the case of the Caguas area, where the increase was 8.3 percent, all other areas registered a considerable increase. In Ponce and Mayaguez the increase in price as the result of a resale of a typical family home was 31.8 between 1973 and 1976. In the rest of the island it was 32.3 percent.

The characteristics of a typical home unit did not vary considerably in the different geographical areas. In 1973, the typical home in the San Juan metropolitan area had a living area of 1,217 square feet on a 360 square meter lot. In Ponce and Mayaguez the typical home had 1,200 square feet on a 627 lot. In the rest of the island the typical residence during 1973 had 969 square feet on a lot consisting of 431 square meters.

In 1976, however, the trend changed considerably. In metropolitan San Juan the typical home unit consisted of an area of 1,142 square feet on a 420 square meter lot. On the other hand, the typical home unit in Ponce and Mayaguez consisted of an area of 1,150 square feet on a 346 square meter lot. At the same time, in

the rest of the island the typical home had 1,007 square feet on a 369 square meter lot.

As it could be observed, the characteristics in terms of space of living do not vary much between the different geographical areas in Puerto Rico. The price increase registered in areas outside the San Juan metropolitan area was more the result of inflation and had nothing to do with the housing characteristics.

As a result of the above, the price of housing outside the San Juan metropolitan area has increased considerably. These increases in the price of homes have had a greater impact on the budgets of residents in those areas.

In conclusion, the American Postal Workers Union feels that the decision adopted by the Civil Service Commission is unreasonable and constitutes an injustice to a great number of American citizens. Also, the decision results to be arbitrary, since affected employees were not given the opportunity to present their arguments on the issue at the time the decision was reached.

In behalf of the 1,200 postal employees I represent in their just demands and of the more than 12,000 other Federal and postal employees in Puerto Rico, I respectfully request that this Subcommittee on Employee Benefits and Compensation consider the different views I have presented here today, doing all within its power to correct the situation. Thank you.

Mrs. SPELLMAN. As I listened to your testimony, I became aware of one of the problems that you have here. We look at the cost of your housing—and remember you are being compared with Washington, D.C.—in Washington, the cost of an average house, just average, nothing special, today is \$52,000. So they have gone way up, way up, and you are being weighted on this housing in a way that is causing problems for you here. Well, we will have to look into this, this whole weighting system. As you know, the Civil Service Commission weighs the cost of food at approximately 17 percent of income. Is it your opinion that that is a proper figure? Would you say that is too low then for the way the people in Puerto Rico would spend their income?

Mr. FLORES. I really think so.

Mrs. SPELLMAN. Do you have any idea what that might be, what a better figure might be?

Mr. FLORES. No.

Mrs. SPELLMAN. What is the labor breakdown of Puerto Rico by geographical area? Would you know how many people would live in the outlying areas versus those who live on the inside?

Mr. FLORES. No, I would not.

Mrs. SPELLMAN. Could you try to get some of those figures for us, for what is involved, and then send whatever information you have to Congressman Corrada's office? He will see that we get it. Thank you very much for your enlightening testimony. Congressman Corrada has some questions.

Mr. CORRADA. In addition to thanking you, Mr. Flores, I would like to ask you a question. We talked about prices both outside the metropolitan area and the metropolitan area. Now, perhaps on the basis of your own experience, can you tell me about the availability of goods and services outside the San Juan metropolitan area and whether or not it is the case that often Federal employees who may

be working and/or living outside the metropolitan area may have to depend considerably on goods and services offered within the San Juan area?

Mr. FLORES. That is true. Usually, some of the chain stores throughout the island will not have the goods and services available to people outside the metropolitan area. Take, for example, Sears or any other large store may put out a special of some kind. Let's say refrigerators, and have plenty in the San Juan area and a limited amount outside San Juan, like Ponce or Mayaguez, so employees are forced to come to San Juan usually to get these goods.

Mr. CORRADA. How about in terms of choice? Where would you find, normally, that you would have a larger choice in terms of making the selection of the goods and services that you really need or want?

Mr. FLORES. Definitely in San Juan. I have encountered this problem myself. I have relatives on the island, and a lot of them, sometimes they have to depend on me to get the things for them, because they can't find them on the island. You may have a choice or two, but it is never the same.

Mr. CORRADA. I have no further questions.

Mrs. SPELLMAN. Thank you very much for your testimony. We appreciate your coming. It has been most helpful.

Mr. FLORES. I will leave this chart for you to see.

Mrs. SPELLMAN. Thank you.

[The chart follows:]

CONSUMER PRICE INDEX FOR WAGE EARNER'S FAMILIES IN PUERTO RICO BY AREAS FOR THE YEARS 1967 AND HENCEFORTH

[Base: 1967 = 100]

Years	Puerto Rico	Percent change	San Juan metropolitan area	Percent change	Coastal	Percent change	West central	Percent change	East central	Percent change
1967.....	100.0		100.0		100.0		100.0		100.0	
1968.....	102.8	2.8	103.0	3.0	102.7	2.7	101.9	1.9	102.6	2.6
1969.....	106.0	3.1	106.2	3.1	106.3	3.5	104.6	2.6	106.0	3.3
1970.....	109.6	3.4	109.7	3.3	109.6	3.2	108.0	3.2	109.9	3.7
1971.....	114.4	4.4	114.0	3.9	114.6	4.6	113.3	4.9	115.0	4.6
1972.....	117.9	3.1	117.2	2.8	118.2	3.1	116.6	2.9	118.8	3.3
1973.....	126.6	7.4	125.7	7.3	126.8	7.3	125.7	7.8	128.3	8.0
1974.....	151.7	19.8	146.6	16.6	153.6	21.1	156.4	24.4	153.9	20.0
1975.....	164.7	8.6	157.6	7.5	167.5	9.0	170.2	8.8	167.6	8.9
1976.....	168.0	2.0	161.4	2.4	170.4	1.7	171.9	1.0	171.9	2.6
1977.....	175.3	4.3	171.1	6.0	178.3	4.6	179.6	4.5	181.2	5.4

Source: Department of Labor of Puerto Rico, Bureau of Labor Statistics, Cost of Living Division.

Mrs. SPELLMAN. Our next witness is Jorge Luis Ortiz Virella, who has been listening in on the meetings that we have had in the Virgin Islands. When I saw him today, I felt I was seeing an old friend. This is the first time he is having an opportunity to testify. He can tell you they said over there, "oh, how come they get so much money in Puerto Rico when we get so little in St. Thomas"? It is 7½ percent, and he has been sitting there waiting for his opportunity to speak up in defense of Puerto Rico. So, we are very happy to have you here in Puerto Rico. You are accompanied by Mr. Elwin Lewis, and Mr. George Hobt. You are in very good company.

**STATEMENT OF JORGE LUIS ORTIZ VIRELLA, PRESIDENT,
AFGE LOCAL 3118**

Mr. VIRELLA. Thank you very much. I want to say before I start, in St. Croix, Virgin Islands, I was like a politician, listening and listening, and I started writing my speech which I did last night.

I thank you, Madam Chairwoman and other members of this subcommittee, for the opportunity to testify on cost-of-living allowance and the administration of the COLA program in Puerto Rico.

On behalf of my family, friends, and AFGE colleagues in Puerto Rico, I would like to welcome you to this beautiful island of enchantment.

Please allow me to refer back to June 1976 before commencing my testimony on the COLA plan. On that date, the various locals representing Federal employees in Puerto Rico were invited to a meeting by Mr. Anibal Rolon and Mr. Richard Carney, both from the Civil Service Commission. The purpose of that meeting was to announce a survey to be conducted relative to COLA here in Puerto Rico. Mr. Carney explained Executive Order 10000 to those present.

The following questions were raised by Mr. Ishmael Rivera, national representative of American Federation of Government Employees, as well as myself.

Mr. ORTIZ. Who will conduct the survey?

Mr. CARNEY. Our people from CSC.

Mr. ORTIZ. What kind of markets will your survey cover?

Mr. CARNEY. Regular markets within the San Juan metropolitan area.

Mr. ORTIZ. What kind of product and goods will you survey?

Mr. CARNEY. Those which would be accessible to a family in Washington as well as here.

Mr. ORTIZ. Are you aware of the different consumer wants of the people of Washington versus those of Puerto Rico?

Mr. CARNEY. Yes; and I could give you an example of this product such as dry cereal, regularly eaten by people in Washington, all types will be taken in sample.

Mr. ORTIZ. Dry cereal was the only product discussed since there appeared to be no interest in the acceptance of arguments on the part of representatives from CSC.

Mr. RIVERA. Are you aware that we have in our ranks qualified data collectors? Are you telling us that your personnel are better qualified to conduct this survey?

Mr. CARNEY. I cannot go back and rearrange this because it is already set up.

The AFL-CIO representative at this meeting, I cannot recall his name, protested the CSC decision to conduct a survey without first consulting labor. This was based on the fact that the decision on the survey was reached prior to informing labor representatives at this meeting.

Protest was expressed by our female counterparts since Mr. Carney also informed of the absurdity that only male households were going to be considered on this survey.

The above is, in essence, what occurred at that meeting in June of 1976. We heard nothing further on this matter until September 1977, at which time an arbitrary decision was made by the CSC awarding two different percentages of COLA based on the employees duty station.

To the surprise of all of us, the island of only 35 by 100 miles was divided in two areas; the San Juan metropolitan statistics area and outside San Juan metropolitan statistics area. The former was

awarded an increase from 7.5 percent COLA to 12.5 percent, while the latter suffered a decrease of 5 percent.

Prior to this decision by the CSC, the COLA program in Puerto Rico was allowed as a single area. I have neither data, or understanding as to why the island was divided into two areas. Especially since goods distributed outside of the San Juan metro area are usually marked up higher to cover the additional cost of transportation.

Another interesting matter would be for the CSC to explain the considerations used in awarding COLA based on the employees duty station. We have personnel residing within the San Juan metropolitan statistics area who commute outside the San Juan metropolitan statistics area to their duty station and vice versa. The one who travels outside of San Juan gets 5 percent although residing in a 12.5-percent area while the one who comes into San Juan gets 12.5 percent while living in a 5-percent area.

I strongly believe that the decision of dividing Puerto Rico into two statistical areas and the reduction of COLA allowances is not only erroneous, but unfair to those employees who must live and pay the same prices as those who are allowed a higher percentage of COLA. It is therefore suggested that the CSC reconsider its decision based on a realistic study of the consumer.

My recommendations are:

One, that proper communication between CSC, agencies and labor union be followed in order to inform employees of their rights to present and support their testimony especially when they may be affected, like the 1976 survey.

Two, that the economy in Puerto Rico be studied by the experts from CSC in order to be able to really determine good, and reliable statistics.

Three, that survey forms be given proper attention by CSC, and agencies involved in order to meet criteria such as language interpretation, for example Spanish, in order to clarify information requested on.

Four, that the methodology used by CSC be studied very close in order to confirm thoroughness and accuracy on the survey when occasions like this may be needing it.

Five, that special attention be given to order 10000 into the effectiveness of proper administration.

Six, that information gathered on the survey be accessible to anybody without prejudice.

Seven, that people making the survey be able to speak the language and are qualified to gain information from the people using first language.

Eight, that all information needed by CSC for COLA survey be requested through the Commissioner's office in Washington, and/or Puerto Rico in order for that office to be aware of the proper use CSC may give, to said information, that is.

Nine, that hearings be a factor of weights when conduction COLA survey.

Ten, that the U.S. Armed Forces commissaries and exchange be a matter of no consultation on COLA survey.

Eleven, that H.R. 3869, 5575, and House Concurrent Resolutions 345, 366, 380, be given full support by the Members of the Congress

and this honorable committee in order to bring justice to Federal employees.

Giving me the opportunity to present my views to this committee is something that I will never forget, because this is the way that people get to know our needs in the Federal sector.

I have left the statistics to the experts on this matter. I know they will give you the information you need to see the real truth of the 1976 survey. Thank you very much.

Mrs. SPELLMAN. Thank you very much. I have learned something in listening to your testimony about COLA being based on the employees duty station. There is that crisscrossing that would make it appear to be rather odd in this case. If you work in the metropolitan area, you get the 12.5 percent although you live outside, and if you live inside and work outside you still get the 5.5 percent. I guess I am just not very smart, I just don't understand it. In other words, if you work in Salinas and live in San Juan, you have to go and shop in Salinas because Salinas is one of the towns that is inexpensive. Now, you say that the commissary is figured in, in these weights. Who can buy there, only those people that are eligible?

Mr. VIRELLA. The only ones eligible—I work for the Puerto Rico National Guard, we have to administer and plan for letting the military be accessible to the commissary and PX. Now, the military retired person, the disabled veteran, widows, and sons of those that were killed in action, have won privileges in Buchanan. I don't know if Mr. Carvella is here. He may have some information, but that is the only information I have.

Mrs. SPELLMAN. The prices there are figured in so that everybody is affected by them?

Mr. VIRELLA. Let me tell you, first, maybe in 1960, it used to be cheaper on the outside, but the only thing you can buy cheaper over there is whisky and cigarettes, like we say in the Virgin Islands, and you can also buy televisions and stuff, but just once every 3 years, and if you qualify for it. Federal employees don't qualify to purchase there.

Mrs. SPELLMAN. But, those prices are figured in the statistics?

Mr. VIRELLA. I suppose so, because they were given just on the 10 percent, you know, but one other factor, in Buchanan, we explained to Mr. Carney, Madam Chairwoman, that Buchanan could not be accepted as a survey data collection because he did not know how many employees were allowed to buy in Buchanan. As a matter of fact, I can recall a decision by the chamber of commerce in Anguila where they protested to the military authorities because they were sending goods to the civilian personnel, selling goods, so we are receiving cheaper prices than downtown, so they protest, but I am not entitled to PX privileges. They are more expensive than the outside anyway.

Mrs. SPELLMAN. That is very interesting. Do you know the people, or talked to the people that are conducting the survey?

Mr. VIRELLA. No. Have never seen them.

Mrs. SPELLMAN. We have been told that the surveyors only went to the management in the Virgin Islands, and not to the store shelves. Do you know whether the survey was done the same way here in San Juan?

Mr. VIRELLA. I have no information how the survey was conducted. This might help you. If you go to any retail store with a notebook, and they will tell you they sell everything cheap. If you have a notebook, so you get the wrong information, because they don't want anything to do with the consumer price index in Puerto Rico, so I have no idea how they collect their information.

Mrs. SPELLMAN. Thank you very much for your testimony. We appreciate it. You hit on all the right things. You have been learning while you were out listening.

Mr. VIRELLA. Well, I read the complete report on the last hearing in Washington, so I knew what you were going to ask me.

Mrs. SPELLMAN. You got in ahead, so I wouldn't have to ask you. Those recommendations, incidentally, are excellent recommendations, and certainly make sense. One of the things we learned was that the information which had been gathered by the Civil Service Commission was not available to the unions, to the employees, and apparently was being considered as top secret. We can't see how it affects the security of the Nation to keep it top secret. In St. Thomas, I don't think the Russians will gain any comfort if they get to see this, so we will do everything we can to make the figures available to you so you will be in a position to make your own comparisons and give us recommendations. We hope when the figures get here, we will have another round of discussions, maybe not face-to-face, but certainly through the mails. We hope that you will analyze those figures and give us the benefit of your thinking and your knowledge. Our next witness will be Mr. Elwin Lewis, but first, I want to give my colleague an opportunity to ask questions. Mr. Corrada?

Mr. CORRADA. I didn't want to ask a question, just to comment. You should not feel bad because you were not able to get the information from the Civil Service Commission. Since I started to receive letters from many of you, I immediately started to look into this problem. I have tried over and over to get from the Civil Service Commission the information as to how they arrived at this figure, and they have not given it to me. I think that if there is something that makes the American Nation great, it is the open way we do our business. We want open government. We want citizens to know what is being done, how decisions are being made, and that is what democracy is all about, and we want to make sure it stays that way.

Mrs. SPELLMAN. I can tell you, I am having second thoughts. I thought it was going to be easy to contact the Civil Service Commission and say, "Hey, we want those figures," but if Mr. Corrada hasn't gotten them, and I know how tough he can be—well, maybe together it will work out. Mr. Lewis?

STATEMENT OF ELWIN LEWIS, NATIONAL VICE PRESIDENT, AFGE

Mr. LEWIS. I thank you, Madam Chairwoman and other members of this subcommittee, for the opportunity to testify on cost-of-living allowances and the administration of the COLA program in Puerto Rico.

Our union, the American Federation of Government Employees, AFL-CIO, represents over 700,000 Federal workers in almost every

Federal agency both in the continental United States and overseas. Both overseas employees and employees in the continental United States who may be requested to take assignments overseas are interested in COLA.

I will give you a general background. AFGE representatives at your earlier hearings in the Virgin Islands testified at some length on the background and administration of COLA, so I will keep my testimony today quite short.

Congress provided statutory authority for COLA in 1948. The program began as a result of certain conditions which existed before, during, and after the Second World War when the Government needed workers for a growing number of overseas jobs.

Federal agencies had utilized various methods of encouraging people to accept assignments outside the continental United States. However, because each of these Government authorities were responsible for administering their own programs, Federal employees in the same geographic areas often received significantly different compensation for similar work.

Following the end of the war, Public Law 80-491 was enacted to correct this situation. This law, as contained in section 5941 of title 5, United States Code was implemented by Executive Order 10000, dated September 16, 1948 and entitled "Regulations Governing Additional Compensation and Credit Granted Certain Employees of the Federal Government Services Outside the Continental United States."

The particular section of Executive Order 10000, section 205(b) with which we are concerned today states that:

The Civil Service Commission shall, (1) in designating places—hereof, consider the relative consumer price levels in the area and the District of Columbia, and give due consideration to the differences in goods and services available and to the manner of living or persons employed in the area concerned in positions comparable to those of United States employees in the areas, and (2) in fixing the territorial cost of living allowances—make appropriate deductions when quarters or subsistence, commissary or other purchasing privileges are furnished at a cost substantially lower than the prevailing local cost.

The first major problem in the administration of COLA that I would like to bring to the committee's attention is the tendency of the Commission to change the rules for COLA without giving employees or their unions a chance to be heard.

In December 1975, the Civil Service Commission, without warning or hearings to give employees a chance to present their views, reinterpreted section 205(b)(2) of Executive Order 10000.

FPM bulletin 591-18, issued December 31, 1975, states that:

Applicability of section 205(b)(2) to other locations.

The decision with respect to the allowance rates for Guam and the Virgin Islands were spelled out in FPM letters announcing the results of the 1973 and 1974 annual reviews. We did not, however, make clear in those FPM letters that these were the first applications of a more general Commission decision to take the factors in housing and special purchasing arrangements into consideration in setting future COLA rates for all nonforeign areas.

As indicated above, it is the purpose of this bulletin to advise agencies of this change in the Commission's program for determining COLA rates.

Starting with the 1975 review of each location, we have been collecting the necessary comparative cost data on Federal housing and from commissary and exchange facilities in all locations covered by the program to the extent that the facts show that living costs for employees in this group are lower than the costs experienced by employees who must purchase from the private market, than an

appropriate adjustment will be made in the allowance rate to more closely match those costs.

This action by the Civil Service Commission was challenged in court. This case is covered more fully in the testimony submitted by AFGE representatives to this committee during its hearings in the Virgin Islands, and is in the record, so I will not go into detail on it here.

In the case of *Curlott et al. v. Hampton, et al.*, the plaintiffs, employees of the U.S. Government, contended that the Civil Service Commission failed to grant them a hearing before it acted to reduce their pay, and that this amounted to an unconstitutional taking of property without due process of law.

The U.S. district court hearing the case agreed that the Commission had reduced workers COLA, and hence their pay without a hearing. Such a hearing, the court concluded would have afforded plaintiff the due process required opportunity to make written presentations to the Commission concerning the proper method of computing COLA payments. The court remanded the case to the U.S. Civil Service Commission for further action in accordance with the court's ruling, on October 11, 1977.

I urge this committee to insist that the Civil Service Commission afford due process, including timely hearings, to employees and their representatives before taking pay, in the form of COLA, away from them in the future.

A second major problem is with the methodology used by the Commission in determining the cost-of-living allowance. The Commission has failed to explain to us, despite repeated requests, the nature of their COLA surveys. They have not explained to us, for example, how they determine who will be surveyed, the "randomness" of their surveys, and the method of weighting utilized.

FPM letter 591.18, issued August 25, 1977, contains an attachment with a section entitled "Definitions of Allowance Areas". It reads, in part, as follows:

The San Juan area is defined as the San Juan standard metropolitan statistical area. This SMSA has been defined by the Office of Management and Budget to consist of municipios of canovanas, Loiza, Toa Baja, Bayamon, Guaynabo, Carolina, Trujillo Alto, San Juan, and all localities included therein. Employees whose duty stations are located in this SMSA will receive cost of living allowances based on the rates authorized for the San Juan area. All other employees will receive cost-of-living allowances based on the rates authorized for the outside San Juan area.

The Civil Service Commission therefore surveys the cost of housing and retail goods to employees based on where they work rather than where they live. Is this appropriate?

AFGE has been trying to get answers to these and other questions from the Civil Service Commission for years now. If, as suggested earlier, the Commission provided us with a due process opportunity to be heard, this situation could be improved.

I also urge this committee to use its influence with the Civil Service Commission to persuade it to give up its secretive bureaucratic methods of arriving at COLA for Puerto Rico and the Virgin Islands.

In addition to the two basic problems I have just mentioned, I would like to discuss briefly the situation in Puerto Rico.

The Civil Service Commission has reduced COLA benefits in Puerto Rico. It would apparently like to eliminate them altogether.

Relatively few commodities are produced on the island. Most goods are imported. Puerto Rico does not raise cattle to any appreciable extent. Meats are imported. Its shoe industry is primarily restricted to a rubber-soled type; it does not produce dress shoes. Such prime staples as green beans and carrots are not grown. Rice, beans, and potatoes are imported. Rice is refined, but not grown on the island, although it is an important part of the Puerto Rican diet. Because mass transportation is poor on the Island, one must rely upon his or her own car to get to a store if it is beyond walking distance, and cars are expensive in Puerto Rico.

According to the Civil Service Commission's own data, issued on August 25, 1977, in FPM letter 591-18, the cost differential outside of the San Juan area was 5 percent for local retail/private housing. The differential for local retail/Federal housing was 12.5 percent. This means that Federal salaries in the area outside of San Juan have a purchasing power 87.5 percent for local retail/Federal housing when compared with salaries received in Washington, D.C.

The statistics within San Juan itself are even more illuminating. In this case, the differential for local/retail/private housing is 12.5 percent. For local retail/Federal housing, it is 10 percent. Thus, Federal salaries within San Juan have a purchasing power of 87.5 percent for local retail/private housing, and 90 percent for local retail Federal housing compared with salaries received in Washington, D.C.

The only true guarantee of fairness and objectivity in determining COLA for Federal employees is to bring representatives of affected Federal employees, such as AFGE, fully into the process.

If the Civil Service Commission gave AFGE complete and accurate information on its COLA surveys and calculations, and if it gave employees and their representatives due process and hearings before changing the rules of COLA, the end results would be a more carefully developed COLA, a more fully informed Civil Service Commission, a greater compliance with the intent of the Congress, more openness in Government, and greater trust of Government by its own employees. I hope this committee will use its influence to help achieve these goals.

Before concluding, I would like to ask you to listen to a few comments from Mr. Hobt who is here about pay and classification department who has made a thorough study of this. He has some recommendations on this.

Mrs. SPELLMAN. Thank you very much. We would be delighted to hear from Mr. Hobt. I personally have a great deal of respect for his ability and his knowledge, on this subject as well as many others. So, I would be very happy to hear from him.

Incidentally, may I comment before we go on to your conclusions? You are so right in exactly what you say. If the Civil Service Commission were to make accurate and complete information on COLA methods available, if it consulted with the employees, and had an open process, we might win some, or lose some, but we would understand it, and have a far better respect and acceptance of what comes out of the process. And, it is just the American way.

It makes no sense to me. We will be hearing from the Civil Service Commission hopefully in hearings in Washington, but I can't imagine what on earth they can tell us that would make us understand the need for secrecy. We were told that because the names of stores were involved, that they couldn't give this information out.

We don't necessarily need the names of the stores, although I see no reason why they can't be given out. It is public information about what they charge. They don't keep it a secret when you go to the store and buy. They advertise in the newspapers.

It would be a good ad if they charge little, and shame on them if they charge too much. So, our conclusion, your conclusion is absolutely right. I go along with every word of it. I am referring to Mr. Ortiz' prior statements that they submitted questionnaires to the store management and asked them to price these items on certain days. They didn't go out and check prices. That is the information I was given.

Mrs. SPELLMAN. That would be a sad way to conduct a survey. Mr. Hobt?

STATEMENT OF GEORGE HOBT

Mr. HOBt. Gladys, thank you for the kind words. I should explain my being here is a pleasure.

Mrs. SPELLMAN. Everybody calls me Gladys. The little children or the teenagers will come up and say, "Gladys", and realize what they have said, and they were not supposed to say Gladys.

Mr. HOBt. Mr. McCluskey, and members of the subcommittee, members of the AFGE and all of the Federal postal workers, we have all learned there is no shortage of national sunshine here, but we all welcome your personal sunshine that you are attempting to bring into this gray dark corner of the Federal pay. It has been very frustrating the past few years trying to get the understanding we would like to have in this system.

The secrecy you mentioned that is attached to most Federal surveys is strange indeed. The cost of living in Washington or San Juan, or St. Croix, or St. Thomas is not secret to the Government employees here.

They are aware of how much it cost, and why they shouldn't be able to participate in the survey, and be notified in advance, or propose changes, or why they can't have the understanding they all want is just beyond me. And, we are running into this problem, and hopefully we are working to change that. I have listened very closely to all the testimony, and there are some things that are different in the testimony here, and there are questions in my mind, as one who has dealt with the Federal surveys over the past several years that seem very strange. You read the Executive order, and as I read that provision dealing with the comparability process, it should be measuring the cost of living for the group of employees in the area affected and comparing that with a comparable group in the Washington, D.C. area.

That is a little bit strange in that when you consider the way it is done, and that we do surveys a mass number of times in either place. The words and basis used for example, for all four areas down here is the same. Now, the makeup with the Federal work-

force in all four areas is entirely different. It seems very inappropriate to compare the cost of living, for example, for a group of employees in Washington, D.C. where they might be GS-11, 12, or 13 grades. We don't know how they get those responses of the 312,000 employees in Washington, but no matter what their percentage of response or distribution, it seems inappropriate to use that one basis for measuring 400 or 500 and something employees in St. Thomas or St. Croix, and use that same basis for the several thousand employees in Puerto Rico.

The average grade 11, as I understand it, is somewhere around GS-7 in the Virgin Islands, and I assume GS-6 or 7 in the Puerto Rico area. There was a point mentioned about the housing cost, which on the surface it would seem to be harsh, if you will, to mention the fact that the average price of a house for example in Puerto Rico might be \$10,000 less than it is in Washington, D.C. area, but that figure pales a little bit when you consider the difference in average grade.

I am sure that a GS-6 or 7 in Washington, D.C., is not purchasing that \$52,000 house. They are stretching it a little bit, if they are. I have here in my pocket—it is hard to read—but the GS-7 base salary is \$13,560, or somewhere close to that. If you take a rule of thumb, two and a half times the income to a direct proportioned house somewhere in the \$33,000 range, if you take a fourth and spend it, then you have to do some other computations. But, it would seem to me, to be far more appropriate, to take and measure all Federal spending, the employees spending, why survey? Make a personal survey of the household and conduct a survey of the other cost. It would seem to me, if you are going to determine how much it cost for this group of employees to live in Washington, in Puerto Rico or the Virgin Islands, then ask them, ask them all the questions. Do the same thing in Washington, D.C. Take a balance sample of the same number of employees, a sample from Washington, D.C., and compare that.

Another thing that came out that seems inconsistent is the fact that they don't have the same group of people or the same set of rules for conducting the surveys in this area. You have no other comparison. You heard about grade C chickens. From what I have heard, I don't want to have anything to do with them. Something that never shows up in the Washington, D.C. area. If you want to measure apples, you better go out and not try to put zippers in round holes.

There is a great deal to be done in the Executive order, and I think with any law, you have to administer with common sense and compassion. If we can do that, we would be a long way down the road.

I don't want to belabor the committee, but one other point that I think has not been launched on you, or launched on me. There has been a very unselfish attitude expressed by the people in the San Juan area. They are not asking for more, and they are not trying to keep a different treatment outside of Puerto Rico. I think that is commendable. That is one of the few times I have seen a group of employees like this take that position.

What they are asking, they want three things, fair treatment, they want participation in your survey, and they want understand-

ing of how the pay is set, and we look forward to your visit here, as a major achievement in those goals.

Mrs. SPELLMAN. You have done such a good job, Mr. Hobt—you see, I am saying Mr. Hobt. Although I really mean, George—of summarizing this. There are no questions I need to ask. You have covered them all. You are fully aware of the kind of questions we need to have answers to, and you have provided a good many of them.

We will have to bring the Civil Service Commission in and ask them to give us some of the answers to the questions you have raised, because certainly they are questions that need to be answered. In establishing allowances, the Commission takes into consideration; one, the relative consumer price level in the area, and in the District of Columbia; two, differences in goods and services available; and three, the manner of living of persons employed in the area. So, we do have the manner of living as one of the factors, but it appears not to have been given the proper weight. We will be attempting to get those answers.

Mr. HOBt. If I could, there is one point I meant to touch on that I have learned today in talking to some of our people, the management people, is the distribution of the questionnaires that are used for a portion of the survey. It is obvious there was very little control, or quality control exercised over the distribution. We understand that many of the forms were late. Many were not completed, many were not returned on time, and very little, if any, on instructions of the importance or proper method of completing the forms was given to the employees involved. Here again, it would make the survey very weak given that type of approach, and I am concerned as to how good a job is done on the Washington survey, and just how many judgment factors are involved, and you have to make up for the shortcoming that might result from that method.

Mrs. SPELLMAN. Yes; Mr. Flores raises the question of language, whether the people really understand the questions they are being asked. We are making a point of having questionnaires and forms printed in other languages, in first language forms, and surely we ought to be doing that with this situation here, too.

Mr. CORRADA. With respect to some of the comments made by the last witness, I would like to state for instance, as of March 31, 1976, the average salary for a full-time GS employee in Puerto Rico was \$13,000 while the figure for the employees in Washington, D.C. was \$17,960.45; 5.5 percent of all GS employees are between one and five, while only 24.5 percent in Washington, D.C. are between those grades. And, furthermore for the 6.5 percent of the GS employees in Washington are between GS-11 and 8, while Puerto Rico is between 2.8 percent. Now, the fact is that the salaries earned by Federal employees in Puerto Rico as a whole are significantly lower than in Washington, D.C., and this would necessarily affect the family budgeting decisions, and cause variations in what weight a particular good or service will carry in the employees expenditure pattern. I think these are a number of things we have to look at.

Mrs. SPELLMAN. Indeed, you are so right. As pointed out earlier when the salary is lower, more of the money, a greater percentage,

is going toward food. How many Federal employees do we have in Puerto Rico?

Mr. HOBt. I think possibly 7,000. I don't have an exact figure.

Mr. FLORES. Madam Chairwoman, you see the people giving information all the time, because Civil Service wouldn't give it correctly. If we go ahead and say they have 7,000, we might be lying something, but let's say 7,000.

Mrs. SPELLMAN. That is the whole area of Puerto Rico?

Mr. FLORES. Yes.

Mrs. SPELLMAN. Mr. McCluskey?

Mr. McCLUSKEY. No specific questions, except, I would like to ask the witness, in St. Thomas, Mr. Leon Gardner of your union offered the subcommittee a specific tape which were conversations with Mr. Richard Carney of the Civil Service Commission. For the record, the subcommittee would like to have a copy of that tape. We didn't ask for it at that time.

Mr. HOBt. We will make such a request of Mr. Gardener. He is on home leave for the next 3 weeks, so it might take a little while, so we will get a copy sooner than that, if possible.

Mrs. SPELLMAN. Mr. Virella, you were quoting from a conversation, and I got the impression that that was a recorded meeting. Was it taped, or did you have somebody taking the language, or was that the way you remembered it?

Mr. VIRELLA. When I go to these meetings, I always forget my tape player, and when I take it, it always breaks, but it refreshed my mind when I went to Leo Gardener's house, and I listened to it on tape, and the same conversation when Mr. Carney went to the Virgin Islands talking about corn playing and coffee gin, and all that, it went back in my mind what happened in the Civil Service Commission, but we have plenty of witnesses, and I have the names of all of them.

Mrs. SPELLMAN. No; we don't need that. I thought that in the event it was taped, or typed up—

Mr. VIRELLA. No; there was no tape but you have my testimony already. If I have to swear, I will.

Mrs. SPELLMAN. You don't have to do that, we can tell. Thank you very much for your testimony. Our last witness is Mr. A. Luis Guzman, president of the Federal Employees Association of Puerto Rico.

STATEMENT OF A. LUIS GUZMAN, PRESIDENT, FEDERAL EMPLOYEES ASSOCIATION

Mr. GUZMAN. Madam Chairwoman, Counsel Ronald McCluskey, members of the subcommittee, Federal employees, and friends, we wish to thank the chairwoman, Mrs. Spellman, and the committee for this opportunity to testify before your subcommittee on these matters concerning COLA. My name is A. Luis Guzman. I am president of the recently organized Federal Employees Association of Puerto Rico. I am accompanied by our legal counsel, Attorney Nester Rodriguez from Ponce, and together, we will be at your disposal for any questions you might want to ask after my testimony. My testimony was personally handed to Counsel McCluskey in St. Croix after the hearing on Friday, and due to its length, and following the chairwoman's recommendations, I will not read it in

its entirety. It has been entered into the record, and I will make a brief summary attempting to emphasize some points I feel are important.

Mrs. SPELLMAN. Very good. We will appreciate that.

Mr. GUZMAN. As we have gone over today and in the last few days, the cost-of-living allowance was reduced in Puerto Rico in an area outside San Juan from 7.5 to 5 percent while being raised in the area of San Juan, P.R. from 7.5 to 12.5 percent, thus in reality, the Civil Service Commission made a division of our island into two separate entities, and the difference in the cost of living was established by them at 7 percent.

We feel, as has been exposed here today, that this is a arbitrary decision by them. It is not based on correct facts and should be revised. We have a relatively small island. I wish to illustrate a few points, and I have prepared a small map of Puerto Rico—if I would appreciate, somebody can hand the chairwoman and Mr. Corrada it. This is a small hill 100 by 35 miles, having a population density of over 938 persons per square mile. In this small island, we have 77 municipalities and cities. We have several more wards close to 1,500, and it is logical to assume, if such a small place—if you put all the locations together, none will be too far from each other.

As you see in this map, some of them are very close, some are only 2 or 3 miles away from the next town. The point in question here, why I bring this up, is that there is no, no great distance between any two points in Puerto Rico, any two towns or localities. It is often the case that many wards in Puerto Rico merge or are shared between different towns.

Often you stand in any country road, you don't know what town you are in. You don't know if that country road belongs to Toa Baja, or you might be in Toa Alta. By this, we can visualize here that all our towns are merged one into the other. There are no natural barriers, so to speak in Puerto Rico. That is another point that will let us understand, that people can move freely from one place to the other.

Some people, like myself, might live in Caguas, which I have pointed out on that map, and may come to San Juan for entertainment and shopping, and some like a neighbor, go to Humacao for studying at night, so we move freely due to the nearness of the area, and due to the good highway system. This allows us to live in a very closely knit situation.

But, these few points I want you to see the picture of a small Island which is very closely knit, thus the division made by the Civil Service Commissioner is arbitrary in the San Juan area, and the rest of the Island outside the metropolitan area, and is not really supported by facts by everyday reality.

In the second point, I want to make to you, before the Commission, is that the study made by the Civil Service Commission is unreliable due to its' limited participation and poor response. In the first place, many of the Federal workers were excluded. This has been where the essential males were excluded, and all the females were excluded. Besides excluding this large proportion of the Federal employees, many of the people that were eligible to fill out the questionnaires never received them, and Mr. Hobt mentioned, and those who have received them too late, the deadline

was either the next day or a couple days later, and they couldn't get to the questionnaires because they were quite involved, their language, and you need a lot of data to complete them.

According to some of the findings given by the Civil Service Commission itself, we gather that only 12.5 percent of those eligible to fill out the questionnaires completed them, responded to them. We feel that any study that has such a small response is liable to be questioned on this ground alone.

In the third place, we want to point out that the validity of the study will be questioned by our group also, and the Federal employees in Puerto Rico. This validity is questioned from the whole standpoint as Mr. Lewis, which is from our union, I am also a member of AFGE, as Mr. Lewis points out, there was a case taken in the Federal District Court of Alaska which I will not mention in its entirety, but we have to refer to, *COLA v. Hansen* in a civil action 10-7-77, where that court decided that the fact that the Civil Service Commission had not granted the employees an opportunity to be heard before taking away property from them was unconstitutional.

The court revamped the case to the Civil Service Commission so they would reinstate COLA to those employees it reduced, while giving us an opportunity to be heard. Now, what we had requested from the court, what the employees in Alaska requested from the court, we will also request, I believe, from the Congress which you represent. As part of that request to the court, our association, which was formed for specific handling of this matter of COLA, has filed a suit in the Federal district court in San Juan along the lines of that suit filed by the employees in Alaska, but also requesting, among other things, that the court issue a permanent injunction restraining the Civil Service Commission from enforcing the COLA reduction, and treat all employees in Puerto Rico the same as they treated those in the San Juan area. this is our contention before the court, which you have received a copy.

Our forth point in this matter has been amply discussed. I will not go over it. It is the point referring to the consumer item products which we have established by different testimony coming from agency heads in some cases, that establishes that the cost of living in different areas outside the metropolitan area is higher and was higher in 1976 than it was in the San Juan area. I made a copy of the Consumer's Price Index for wage earners' families in Puerto Rico, made by the Department of Labor, whose president was here today, and I want to give you a copy also.

I wish to now refer myself to the problem of transportation in the island. The San Juan area of Puerto Rico has a mass transportation system which, although, is in strike at the present moment, gives partially good service to the San Juan metropolitan area. As a matter of fact, you can travel within San Juan within any point in that area with a 15 cent fare. If you want air condition, then you pay \$0.25 fare. If you go out in the island, there is no such system anywhere to be found. We depend, out in the island, on public cars.

The publicos, which operate throughout the islands without any fixed schedule, and charge you according to the distance you are going to run most of the time. Therefore, in some areas of the island, like in Caguas, you can go from the shopping center just on

the outskirts of town, into town, a distance of about a mile, and you will have to pay a quarter to move there. Therefore, transportation in this respect is high.

The cost for transportation is higher outside of San Juan than in San Juan. Besides this, because the transportation is so undependable and run without schedules, most of the Federal employees out of San Juan have the necessity of owning a car. By owning a car, you have to pay the high gasoline prices which is usually higher in the outside than San Juan, up to \$0.75 per gallon, pay your toll every day, and the other expenses that are related to owning a car.

Mrs. SPELLMAN. What would the tolls be?

Mr. GUZMAN. They depend, from Caguas to Cidra, \$0.25 each way. From Cayey to Salinas, that is \$0.50. Some people have to go through three different tolls and pay \$1.05 or \$1.10 each way. This is added, of course, to the other costs of wear and tear of the car, et cetera.

We had very interesting testimony by Mr. Flores on housing. I was expecting more on this subject because this is the subject where the Civil Service Commission really depended with the difference defended before us, their point that the cost was different. I want to point out, in the first place, that most houses which are homes bought by Federal employees are built by the same builders on the island.

They are large builders, which build the same type of home, but you might find in Catalina or Mayaguez, or all over the island, the plan is the same. The mortgage you pay on that house are about the same because the interest rates are the same, if you buy a certain time of year, therefore, there is no greater difference throughout the island.

We have very interesting testimony here to present, and it was received by one of our fellow employees who brought it to our attention. This is an interesting record that is made by another Federal agency, the Department of the Army. I want you to have a copy of this testimony also. This is Army regulations.

And, this relates to the cost of construction through the United States, and costs met for military adjustment—Federal employees—to say military construction cost should be the same as the cost for private owners.

In page 3 of this three or four page handout, I just gave it to you, in No. 5, adjustment, it says, table 2 is a listing of factors for use in adjusting estimated cost for specific geographical areas having a factor of 1 point. In other words, Washington, D.C., is 1 point, the rest will vary according to Washington, D.C. On the following page, we have the table they refer to table 2 on the bottom of the page, it shows Puerto Rico at the cost of construction in Puerto Rico according to this Army regulations in the San Juan area, 1.4.

In other words, 40 percent higher than in Washington, D.C. In the Roosevelt area, 1.5, as you can see. This table proves two things, Federal employees, well qualified, I would say, to make this kind of documentation, has determined that the cost of construction into Puerto Rico is much higher than in Washington, D.C. and outside the San Juan area, the cost of construction is higher than in the San Juan area.

In spite of this, the Civil Service Commission has not taken into account all this, and they have not taken into account the studies of several other of our Government agencies. Even if they did not want to accept the reports of qualified and specialized agencies in the Commonwealth of Puerto Rico, we think they should at least be alerted by them. I think the least they could do was to consult with some of the agencies that are specializing the duties month in and month out.

We feel that the Executive Order 10000 grants far too much leeway in the implementing cost of living, due process should be established and with it a clear appeal system. The Commission has constituted itself—instituted itself into a super agency without receptiveness, without proper rights. We are convinced that the cost of living study for 1976 in Puerto Rico reflects an erroneous position of reality prices and cost.

You are genuinely needed to correct what we consider an injustice, and should be taken by any means available, to the courts or Congress, which you represent. We thank you very much for your attention and for this opportunity to be here, for your concern, and at the same time, place ourselves at your disposal for and questions you might deem necessary.

Mrs. SPELLMAN. Thank you, Mr. Guzman. You have given a very comprehensive picture of the situation as you see it. It tells us very clearly that it does cost more to build housing in this area. I was asking Congressman Corrada whether they had Levitt build the community here, and he said indeed you do have Levittown. It would be interesting to compare Levitt's cost here and in the metropolitan area. He has built a number of houses in my district, just outside Washington, D.C. and other areas right around Washington. We might be able to compare those. Does anyone know what the average house he might be building today, or is being built today, may sell for?

Mr. GUZMAN. They have been increasing in price, I can assure you. He brought Levittown which is the largest such project on the island, and every new project they build, every section is much higher than the one before.

Mrs. SPELLMAN. Are they still under construction now?

Mr. GUZMAN. I believe they are.

Mrs. SPELLMAN. It would be interesting to check. I wish I had the time to go see them, because I know the ones we have at home, and I might be able to compare sizes.

Mr. GUZMAN. We can get that information for you. We will be glad to mail it.

Ms. ORTARO. You are welcome to see mine, if you want to. We live in Levittown. My name is Carmen Ortaro. I work with GSA, and we paid \$22,000, and that was in 1967, and right now, the same house, you cannot get it for less than \$35,000.

And I am going to impose on you with a question, my son has a wife, a retired military, one day I was handing the paper to see what I was entitled to, so I had to sign, I was entitled to the commissary and PX, and I live in private housing and just like that, I lost 12.5 percent. I don't get any cost-of-living allowance.

I just found last week that this hearing was going to be taking place, so if Mr. Corrada will let me, I will do whatever he wants,

but I take the stand for all the women. There are a lot of women which are retired military personnel. All of a sudden we lost our COLA and we work as hard as anybody else. I leave the men to talk for themselves.

Mrs. SPELLMAN. May I say that the women have a very good spokesperson in you. We will be very anxious to get any material you have.

Ms. ORTARO. The invitation stands.

Mr. CORRADA. Thank you for the testimony. Let me ask you a question. What is the status of the litigation in the Federal court with respect to the Civil Service Commission complying with constitutional process?

Mr. GUZMAN. We don't know what the civil service will reply, but we already have a summons. We are waiting for a reply. We expect an answer, and they have been served with the complaint, and we expect an answer within the next 30 days.

Mr. CORRADA. The time under the Federal rules of civil service procedure has not expired yet?

Mr. RODRIGUEZ. That is correct. We expect to move for a postponement.

Mr. CORRADA. Then they will file their answer?

Mr. RODRIGUEZ. Right.

Mrs. SPELLMAN. I was just going to followup on that for a moment. Are you aware of what is transpiring with the Alaska case? Has the Civil Service Commission filed an appeal?

Mr. RODRIGUEZ. Yes, I think they have.

Mr. CORRADA. Just one last comment. This map that you offered, of course, has been accepted by the subcommittee, but I will only suggest that it be accepted in terms of showing the geography, the way the entire island looks. I have noted with great sadness that my home, my hometown is not in the map. We are very sensitive, but I know that you didn't know that before, otherwise you would have to make another map—the town of Morovis.

Mr. GUZMAN. I will not attempt to defend those who made the map, but they are the department of tourism, and I am sure they would like to make a note of that.

Mr. CORRADA. Go back to them and tell them how embarrassed you were.

Mrs. SPELLMAN. Mr. McCluskey would like to ask you a question.

Mr. MCCLUSKEY. Not so much a question, but to tell Mr. Guzman that I think he put his finger on the legal question according to section 5941, which reads, "Except as otherwise specifically authorized by statute, the allowance is paid only in accordance with regulations prescribed by the President establishing the rates—" This of course has been delegated to the Civil Service Commission, and perhaps they are no longer complying with the intent of laws passed by Congress, and this we will find out in the Washington area.

Mr. GUZMAN. Thanks for coming.

Mrs. SPELLMAN. Thank you very much. I am told that if I adjourn by 6 o'clock, I can get the call in that I was supposed to place to the Governor.

I am told that we have a written statement signed by 21 employees that has been offered for the record.

WITNESS. I work for a Federal agency, and there were a lot of employees that could not come over here because we have to give 24-hour service, and we made a letter which will cover not only the difference in cost of living between San Juan and all the rest of the areas of Puerto Rico, but also will cover the elimination and suspension of COLA to some of the retired personnel.

Madam Chairwoman, Hon. Corrada, Mr. McCluskey, I would like to read this letter from the employees in Fajardo, Puerto Rico. They signed the letter, and it will be sent as a record.

Due to the time limitations, we the undersigned, having no opportunity to express ourselves on the floor of the hearing, would like our grievances to be noted.

We believe the recent decisions taken by the Civil Service Commission on, one, eliminating cost-of-living allowance (COLA), for retired military personnel and personnel living on military installations, and two, paying different rates of COLA in certain areas of Puerto Rico, are discriminatory, unfair, and prejudicial to the affected employees as well as the Federal service. One, privileges earned by retired military personnel are fringe benefits or part of their low pay during their stay in service and have nothing to do with the present employment or at least that is how it works on public industry. COLA, on the other hand, is a supplement to cover expenses in high cost-of-living areas.

A great number of us live far away from military facilities and cannot use these privileges, for they do not justify the expense of transportation and time, and exchange privilege since the gains using these facilities do not exceed the amount received as COLA. Therefore, we believe that taking COLA away was an unfair step that only caused us economical hardships.

It seems to us that we have been penalized and discriminated upon for the only reason of serving our country for over 20 years, and for exposing our lives during times of war. Two, in establishing two rates of COLA, 12.5 percent and 5 percent respectively, we believe too many important facts of the local economy were overlooked or not taken into consideration. For example:

Fact No. 1. An employee assigned to areas other than metropolitan San Juan, such as Ponce, Mayaguez, Aguadilla, Fajardo, et cetera, but residing in San Juan, he receives 5 percent COLA, and resides on a 12.5 percent COLA locality. Very unfair to the employee.

Fact No. 2. Most Federal employees buy in chain stores, such as Sears, Murphy's, Franklins, Grand Union, Pueblo, et cetera. It is worth noticing that these stores have standardized prices all over the island. The buyer in Ponce or Fajardo do not buy cheaper than the buyer in San Juan.

Fact No. 3. A great number of Federal employees own their houses and it is interesting to know that the banks and finance companies have standard rate of mortgage interests throughout the island. In the first 4 years, all you pay is interest on your mortgage.

Fact No. 4. For Federal employees renting in the local economy, there is a difference in quality of dwellings between metropolitan areas and other areas of the island, but there is not a difference in price. A three-bedroom house of the same category and with the

same comfort will pay the same rent any place on the island. It appears that the rural areas are cheaper, but this is due to the great amount of substandard dwellings on the rural zones, but, does the Federal Government want their employees to be substandard?

In view of the foregoing, we the undersigned believe, one, that the COLA which was unfairly taken from Federal employees having military fringe benefits and Federal employees residing in military installations, be reinstated retroactive to the date of its suspension. Two, that standard cost-of-living allowance of 12.5 percent be paid to Federal employees residing anywhere in the Commonwealth of Puerto Rico. Thank you very much.

Mrs. SPELLMAN. Thank you. We have Mr. Autero to offer a statement for the record. We will ask you not to read. Just one comment.

Mr. AUTERO. I work for the Veterans' Administration. Just a special comment, and I will submit my testimony in writing, is that something that has not been raised as to income tax. I believe that the COLA subsistence given to help people in high cost-of-living areas, no matter, has been covered by any of the areas, and the cost of paying income tax is higher than the Federal tax. My contention is, if this is a source of subsistence, maybe the law can change it not as income or subsidy and have the local government to amend the law. That would be the right thing to do, but it taken as income, yet not off our income tax. We get to pay a lot more money than if this money was never given. In some of the cases, this so happens.

Mrs. SPELLMAN. You pay Federal income tax on the COLA?

Mr. AUTERO. No; but when you have your taxes withheld in the Federal check, since it is not income in the Federal Government, it is withheld, so you have a lot of money withheld for local purposes.

Mrs. SPELLMAN. That is considered income for local purposes?

Mr. AUTERO. Yes.

Mrs. SPELLMAN. It isn't for the Federal Government. I was wondering about that. That is interesting. Thank you very much. Mr. Lopez, housing manager, Roosevelt Base, I understand you would like to respond to a question about housing costs?

Mr. LOPEZ. Madam Chairwoman, Mr. Corrada, gentlemen of the committee, you asked a question about the housing of this whole situation. I don't quite understand, but housing seems to be a significant factor. I think that the information I have might be helpful in giving you a clear picture. At Roosevelt Roads, we house all the active military personnel stationed there. They occupy military housing on a forfeiture basis. The base allowance is forfeited, also we house civilian employees. This is on a rental basis. The rental basis of civilians is based on private appraisals of the rents taken in the adjacent communities.

I think it is significant that our rentals for Roosevelt Roads are significantly higher than civilians at the Fort Buchanan. This will draw the conclusion that the rentals at Roosevelt Roads compared to the community which they are based, have got to be considerably higher. I have the studies. You are welcome to see them. I have them with me. These studies are dated 1973 and 1974. Perhaps we can get a copy. However, these studies do not reflect the

current rental rates. These are adjusted every year according to the CPL.

As long as I have been there, it has never gone down. We have a rental for civilians occupying four bedrooms including utilities in the vicinity, or perhaps a little over \$500. I can give you the schedule on rentals.

Mrs. SPELLMAN. We would appreciate that. If you could give us an idea in the schedule of rentals, not the cost, but the amount of square footage of which we can base the judgment of costs.

Mr. LOPEZ. I think it would be important to get the schedule of rentals from the Fort Buchanan housing for the purposes of comparability.

Mrs. SPELLMAN. We are about 2 minutes of 6. I wish we could hear from all of you, but unfortunately I am catching a plane out this evening and will not even get to see your beautiful city. I do hope you will invite me down for some real play and fun some day. I would like to turn to my colleague and ask him if he has any closing statement?

Mr. CORRADA. Madam Chairwoman, I would like to say for the benefit of those who have not been able to give testimony, you have the opportunity to submit any written statement or material that you may choose; just send it to my office here at the new Federal building, room 229. That is my office here, or if you prefer, you may send the material addressed to the U.S. House of Representatives.

Mrs. SPELLMAN. We will keep the record open for 2 weeks so if you can get that in as quickly as possible, we would appreciate that.

Mr. CORRADA. So, all of you who have not been able to testify because of the time limit but would like to include your statement for the record may do so by sending it to my office here or in Washington, and the record will be left open.

Mrs. SPELLMAN. May I congratulate you on a most delightful hearing, one that sheds some considerable light on the questions we have. I assure you we will do all we can. Our committee back in Washington is very anxious to do whatever can be done to bring justice. We make no guarantees that things will be better, we can only guarantee we will do everything we can to bring about an open process, and thereby bring you a fair COLA percentage.

I am sure we will be able to get the records open. At least you will be able to know what the findings and decisions are based on, and we hope you will have the opportunity to comment on those findings and to be part of what should be a democratic process. So, hopefully, from this point forward, we will be engaged in setting COLA percentages in what I would consider the American way, with the full and open process that all people affected might be invited to engage in. Thank you very, very much for your cooperation.

[The statements which follow were received for the record:]

STATEMENT OF A. LUIS GUZMAN, PRESIDENT, FEDERAL EMPLOYEES ASSOCIATION OF PUERTO RICO

By virtue of the authority vested upon it, by Executive Order 10000, the Civil Service Commission has conducted a cost of living study in Puerto Rico, which increased the COLA in some areas while decreasing it in others. The order in

reference states in Sec. 205(a) "The U.S. Civil Service Commission shall from time to time, subject to applicable law, (1) designate places in the territories where it determines that living costs are substantially higher than in the District of Columbia, (2) for each place so designated an additional rate or rates of compensation to be paid by reason of such higher living costs. (b) The CSC shall, (1) in designating places under section 205(a) hereof, consider the relative consumer price levels in the area and in the District of Columbia and give due consideration to the differences in goods and services available and to the manner of living of persons employed in the areas concerned in positions comparable to those of U.S. employees in the areas,

* * *

Thus, we gather that the CSC has the authority to conduct the studies they prepare and to fix allowances based on them. This is clear to all and is not being questioned.

Based on the authority outlined herein the CSC established two separate allowance areas in P.R. One was designated as the SJ Metropolitan area and included the municipalities of S.J., Canovanas, Loiza, Toa Baja, Bayamon, Cuaynabo, Carolina, Trujillo Alto and all localities therein. The second area was designated "Outside S.J. area".

They then proceeded to increase the COLA in the SJ area from 7.5% to 12.5% and to decrease the outside SJ area from 7.5% to 5.0%. The real effect in their action was to establish a 7% difference between the SJ and outside SJ areas. Thus, they said in effect that the cost of living in the SJ area was 12.5% higher than in the Washington, D.C. while the cost of living in the "outside SJ area was 5% higher. We must agree with the CSC, that the cost of living in P.R., as a whole, is higher than in Washington, D.C. This is perhaps, as far as our agreement with the commission goes. Through this deposition we will attempt to establish the following points:

1. That dividing the Island in two separate areas is incorrect geographically, not sustained by our customs and traditions and unrealistic due our size.
2. That the study conducted by the CSC basically unreliable, because of the limited participation of employees involved and the small response to the same. Thus its validity is questionable.
3. That by failing to give employees due process, before implementing the reductions the CSC acted improperly.
4. That the cost of living in P.R. was about the same in 1976, throughout the Island, and remains so.
5. That based on all facts gathered in the case, the CSC enforced upon many federal employees of P.R. an unjust, biased and arbitrary decision.

The Island of P.R. is small in size, being 100 miles long by 35. There are over 3.2 million inhabitants here, or over 938 persons per square mile. Our higher mountains rise to a height of 4348 feet above sea level. There are no natural, or man made barriers, dividing any sections from others. There are 77 municipalities, towns and cities and upwards of 1500 wards and small localities. This brief summary of Puerto Rican geography serves a definite purpose. The size of the Island, combined with its populational and urban density, does not allow for any great separation between localities. The reality is that towns such as Toa Baja and Toa Alta, Rio Grande and Canovanas share the same wards and are within 5 miles of each other's center. Driving through most roads, one cannot determine where one municipal jurisdiction ends and the other begins. Since there are no natural boundaries people move freely between all communities, sometimes without an accurate sense of what town they are in. There are no divisions here of any kind. Those imposed by the CSC are absurd.

Wishing to illustrate the points mentioned before, let us consider that many residents of any particular towns might work in another, shop for groceries in still another and still go for their recreation to a fourth or fifth town. Many others live inside the SJ area and work outside of it, while the opposite is the case with thousands of others. Roads are another fact that make all this moving around possible. With our highway system you may visit the Morro Castle in old SJ, at the northern tip of the Island and be in Salinas, at the southern tip of P.R. feasting on fresh sea food, within an hour.

We will consider also the large metropolitan areas outside SJ, and compare them to some of the towns included in the Metropolitan SJ area. The cities Ponce, Mayaguez and Caguas, for example, have a population of over 150,000. These metropolitan centers have about the same consumer facilities and housing needs as any in the SJ area and surely higher costs than such towns as Toa Baja, Trujillo Alto and Loiza, which are in the SJ area. I ask you now if it is fair and logical to divide such a closely knit and compact area into two section? I must say it is not, and anyone who knows our Island or has sufficient information on it would say the same.

The "SJ area" used in the study, was not established by the CSC. The SJ area was defined by the Office of Management and Budget. This office had other projects in mind and used the definitions that best suited their particular problems. The CSC did not have to adopt the decisions of other agencies when conducting a research of their own which affects all federal employees. The usage of the definition in question was based more on expediency than on justice. If the latter had been the motive, the metropolitan area would have been enlarged along more realistic lines and other metropolitan centers would have been considered individually.

In conducting its investigation, the CSC was supposed to distribute several questionnaires to all male federal employees in the towns of Arecibo, Aguadilla, Humacao, Ponce, Guayama and Mayaguez. Also to those in SJ. We have travelled widely in P.R. since the organization of the Federal Employees Association meetings have been held in all of above towns. Most of the employees contacted had no knowledge of a COL study ever being conducted. Some others say they received questionnaires after the date they were due. A few remember having received the forms. Based on these findings we have concluded that a limited number of employees were aware and participated in the CSC research. Thus the data gathered is unreliable for being representative and because most of those affected were not given a chance to participate. The conclusions attached to the same must also be involved and subject to serious question.

To further emphasize this point we wish to refer you to the last page of a report prepared by the Commission and titled: "Average Items Prices, Price Ratios, and weights used for comparative cost indexes". In the 4th line it depicts the percentages P.R. response (private renters and homeowners). It divides the employees by grades and indicates the percentage responding in each. By adding the percent of response in all grades and dividing by all grade divisions used we find a total percentage of response of 12.5% for the area outside S.J.

The COLA is and expected property granted to federal employees by Executive Order 10000. We agree that before reducing part of our pay (or property) the CSC was under the obligation to grant us a hearing. Their failure to do so constitutes "an unconstitutional taking of property without due process of law." This argument was presented in the U.S. District Court, Alaska in case—Curlott, et al. v. Hampton, et al., Civil action no. A 77-10 10-07-77. The court weighted the three specific prerequisites of due process identified in *Smith v. Organization of foster families*, 97 s. ct. 2094, 2113 (1977). The 3 part decision states that (1) there is sufficient interest in the COLA reduction to trigger due process protection; (2) the COLA reduction is a large-scale administrative re-interpretation of COLA computations procedures and the commission should have solicited written comments from employees whose COLA were to be reduced; and (3) that a due process notice and comment type hearing will not impair the commission's ability to change its method of COLA computations.

Therefore, the court ordered the commission to hold pre-COLA hearings. Following this same line of reasoning, we believe that the commission should restore COLA to those employees it reduced until hearings are held and the opportunity to introduce new and material evidence is granted.

When conducting their cost of living study, the CSC considered several items on which employees normally spend their income.

The items considered and their assigned percentage value are: housing, 20.3; grocery staples, 6.0; tobacco and alcohol, 3.3; furnishing and household operations, 8.7; recreation, 6.7; transportation, 9.7; food away from home, 5.9; food at home, 7.2; fruits and vegetables, 3.5; personal care, 3.7; clothing, 9.8; medical, 7.6; auto purchase, 5.4; and domestic service, 2.2.

There are government agencies in P.R. which record, on a monthly basis, the prices of all articles shown in the CSC study and more, and their periodic fluctuations. They also make comparative tables of different areas in P.R. These agencies are specialized in this type of data gathering and statistical analysis. Instead of using a method of questionable validity, the CSC could have contacted the agencies in reference and obtained from them a complete, reliable picture of prices in P.R.

We will now refer you to, "The Economic Report to the Governor 1976", prepared by the P.R. Planning Board. We reproduce herein a table from this document which indicates that the cost of living index in the area outside SJ is higher than the SJ Metropolitan area and is increasing at a consistent rate.

COST OF LIVING INDEX FOR SAN JUAN AND THE REST OF THE ISLAND

[1957=100]

Area	1975	1976	1977
Puerto Rico	164.7	168.0	174.5
Metropolitan	157.6	161.4	170.3
Coastal	167.5	170.4	177.5
West central	170.2	171.9	178.6
East central	167.6	171.9	180.4

This table clearly shows that the price index throughout the Island was higher than in S.J. in 1976.

Another agency which has to do with prices and costs, of consumer items, is DACO (Department of Consumer Affairs). This agency controls the prices of 80 grocery staples. Its controls are strictly enforced in P.R. guaranteeing, that most products are sold at the same price in all localities.

The Department of Labor keeps a monthly record of price fluctuations in the different areas of P.R. They include in their study, all the consumer items considered by the CSC, except Housing, auto purchase, transportation and domestic service.

Let us consider a few other realities of life in P.R. It is a known fact that the great majority of people in P.R. shop for groceries in Supermarkets. There are six (6) large chains of such stores on the Island. They are Pueblo, Grand Union, COOP, Econo, Amigo and Lucky Seven. These establishments publish advertisements weekly in all newspapers. Their prices apply to all their stores alike. You may visit the chains in reference and verify these facts. This applies to furniture stores where large chains cover the Island such as Muerblerias Mendoza and others. The Department Stores and Clothing sector are covered by large ones such as Sears, Woolworths, Kress, Padin, Velazco, Thom McAn, Bakers, La Gloria, J. C. Penney, Western Auto, New York Department stores and others. The norm in all of these chains is to have the same prices throughout the Island. Some variations do exist.

As anyone can verify, there is only one major port in P.R. That is in S.J. Therefore, all items imported, have to be transported to the rest of the Island by road. This adds on additional cost to such items. For this reason, even though the big chains, strive to keep prices more or less at the same level, they have to be increased to account for transportation costs. Based on this verifiable situation we affirm that prices sometimes vary in P.R., and when they do, they are higher outside of S.J. than in S.J.

We will make a point also, of transportation costs in the S.J. area and outside the S.J. area. There is mass transportation only in the S.J. metropolitan area (buses). Out in the Island, people either have to own cars or use public transportation. In S.J. you may go anywhere by bus with 15¢. Outside S.J. a 2 mile ride might cost 25¢ and at times more. Either operating areas own car, or using public transportation is more expensive than riding the bus.

There is one item we have not dwelt on as yet. It is the item given the highest weight by the CSC study, or 20.3. The trend in P.R. is the building of housing projects or urbanizations and selling them on a time payment basis. The prices of the urbanizations are about the same. This is so because the builders are usually the same all over. These are large builders and they just move from area to area making the same type of house. Where land is cheaper they build with more land and vice versa. Some of these companies are IBEC, Empresas Rojo, etc. Thousand of homes in P.R. are being paid on a time-payment plan. The interest rate on mortgages has been increasing steadily during the last 10 or 15 years. The price of construction has also been increasing consistently. Therefore, the earlier the home was bought, the less it cost and the lower the mortgage payment. This is true of homes purchased in any part of P.R.

For those who make repairs or hire to build their own homes, the situation is different. Most contractors have their main office in S.J. They go out all over the Island, to do the jobs they contract. Transportation, lodging and other related costs are included in the price of the contract. Therefore in such situations, the cost of building a particular home, repairs or any construction is higher outside of S.J. than in S.J.

To further stress this point, we refer you to: Army Regulation 415-17: According to this federal standard the cost of construction in P.R. as a whole is higher than in Washington, D.C. by 40%. Note this publication considers the Island as a whole. Also note the wide difference between the P.R. and Washington.

Our specific proposals are that P.R. be considered as one area and not separated. Employees should be given the opportunity to participate and submit evidence on cost of living before making any decisions.

For 1976 we feel the cost of living in all of P.R. was 12.5% higher than in Washington, D.C. Thus an increase to that level is warranted for the area outside S.J.

The Executive Order 10000 grants for too much leeway to the Commission in implementing and deciding on the COLA while failing to establish appeal rights for those affected. We feel that corrective action is imperative so as to assure that the rights of all employees are protected and any necessary adjustments are fair and equitable.

We have tried to give you a picture of the Puerto Rican reality. All the evidence and arguments introduced in these statements point to the fact that the cost of living in this Island is about the same throughout. We are ready to support our allegations with more detailed studies and data. Request any additional information you may deem necessary and we will gladly secure it for you. We are willing to do our share in order to establish the correctness of our position. We feel that the decision reached by the CSC should be revised.

DEPARTMENT OF TRANSPORTATION,
FEDERAL AVIATION ADMINISTRATION,
San Juan, P.R., February 27, 1978.

Hon. GLADYS SPELLMAN,
Chairwoman, Subcommittee on Compensation and Employee Benefits, House of Representatives, Washington, D.C.

DEAR MS. SPELLMAN: This letter is in regard to the hearings you conducted in Puerto Rico and the U.S. Virgin Islands, February 9-13.

At your request, the San Juan Area Office of the Federal Aviation Administration appreciates the opportunity to present for your consideration our views on Cost of Living Allowance (COLA) Regulations that are adversely affecting our program in Puerto Rico and the U.S. Virgin Islands.

This Agency has employees of several occupational groups located throughout Puerto Rico and the U.S. Virgin Islands, including both wage grade and general schedule employees. The purpose of these employees is to provide services to the aviation community in order to improve the safety of air transportation. The present structure of COLA regulations causes us difficulty in at least two specific areas and derogates our ability to provide the required services.

The first of these is the variation in COLA between areas. Many of our employees who are assigned to work outside the San Juan Metropolitan Area choose to live in San Juan rather than the rural area to which they are assigned.

This is especially true for employees on contract from the United States who choose to live in San Juan and in which living conditions are similar to those to which they have been accustomed. The relatively small size of the island frequently permits this arrangement, and this possibility enhances our recruitment of the high quality work force we so urgently need. Present COLA regulations erode this situation, thereby hampering our recruiting efforts and thus derogating our program. We would prefer standardized COLA across the islands, but failing this, we suggest that where employees are assigned outside the San Juan Area, but live in San Juan, that they be permitted the higher COLA rate.

A second, and far more serious problem, concerns wage grade employees hired under contract from the States. These people provide the electrical and mechanical skills which are the backbone of our technical services. Salaries for these people are determined by averaging wage rates in 23 continental cities, thus determining an average U.S. wage rate. This results in a wage grade salary which is considerably lower than GS salaries. This low salary will not permit a contract wage grade employee to maintain a standard of living comparable to that possible in the States. We are therefore essentially unable to hire this type of specialist from the States, despite extensive recruiting. The extremely low wage rate for locally hired employees prevents us from competing with local industry and government for qualified specialists. This has a severe impact on our efforts to provide critical air traffic services in Puerto Rico and the U.S. Virgin Islands.

This situation may be summarized as following: GS employees in this area receive a salary that is an "average" of GS employees in the States. Because of the higher cost of living, their salary is adjusted by a COLA. Our wage grade employees receive a salary that is an average of stateside wage grade employees, and these are the lowest salaries of our group with the exception of locally hired wage grade employ-

ees. However, they do not receive a COLA. This is a serious hardship to this type of employee, and severely restricts our ability to recruit.

We request you give urgent consideration to amending the regulations to permit a COLA for contract wage grade employees.

Your consideration of our problems would be sincerely appreciated. We are attempting to operate very complex electronic systems and services essential to the safety of the aviation community and to promote the economic well-being of this Area. The amendment of present regulations as outlined above would permit us to improve recruitment of essential personnel and thereby to improve the quality of our services.

Sincerely,

MICHAEL T. FENN,

Area Manager, Puerto Rico, Virgin Islands.

DEPARTMENT OF TRANSPORTATION,
FEDERAL AVIATION ADMINISTRATION,
Atlanta, Ga.

All facilities and offices in the San Juan Area were visited October 11, 1977, through October 21, 1977, by a joint Personnel Management/Training Evaluation Team. A major cause of morale problems in the area was the new Cost of Living (COLA) schedule.

Prior to the issuance of FPM letter 591-18 of August 25, 1977, COLA was 7.5% throughout the island of Puerto Rico. New rates are 0%, 5%, and 12.5%, depending upon location (metro San Juan and other), PX and commissary privileges, and whether or not the employee lives in Federal housing.

The most severely affected employees under new COLA rules are our employees who are retired military. If these employees' duty stations are within 50 miles of a recognized commissary and PX (Ft. Buchanan in San Juan or NAS Roosevelt Roads), they are ineligible for COLA. A large number of our retired military employees are stationed in San Juan where COLA is normally 12.5%, and most are in the \$20,000 per annum salary bracket (GS-11). As is obvious by their grade and the length of time required to attain that grade, added to 20-plus years of military service, most no longer have depending children. They maintain that it is impossible to save 12½% of \$20,000 (\$2,500 per annum) by shopping in the PX and commissary since a family consisting of only a husband and wife:

1. Eats out frequently.
2. Buys very few clothes due to the temperate weather of Puerto Rico.
3. Has very limited need for appliance replacement in a 2-year tour.
4. Probably doesn't spend anything like \$2,500 a year (the amount they are alleged to save) in the commissary and PX.

On the other hand, employees who are stationed at Ponce and Mayaguez and live in Government quarters at Ft. Allen or Ramey AFB, whether retired military or not, are eligible for use of the limited PX and commissary facilities at these bases and receive 12.5% COLA. Their ID cards also entitle them to use PX and commissary facilities at Ft. Buchanan (San Juan) and Roosevelt Roads, should they so desire. Their counterparts living in housing at the Naval Station in Roosevelt Roads get no COLA because of PX/commissary eligibility. Employees living on the local economy at Ponce, Mayaguez and the Roosevelt Roads area (primarily AF technicians at Pico del Este) receive 5%, since they are out of the metro San Juan area. Many of the Pico del Este technicians live in metro San Juan where COLA is 12.5%.

We also have employees in San Juan getting 12.5% COLA whose spouses are Government employees getting 12.5%. We have a female employee at the Isla Grande ATC Terminal who gets no COLA because she has PX/commissary privileges by virtue of being married to a member of the Coast Guard.

In view of the action taken by U.S. District Court with respect to the Curlott case (see CSC Bulletin 591-22) we believe the Civil Service Commission should also be made aware of the inequities cited herein. Accordingly, we request that a package containing this information be forwarded to the Civil Service Commission through the Department of Transportation along with any recommendations for alleviating these inequities you may consider appropriate.

PHILLIP M. SWATEK.

STATEMENT OF CARMEN A. KLEIDERLEIN, U.S. NAVAL HOSPITAL, FPO, NEW YORK

ITEMS OF INTEREST

Cost of Living

What criteria was used in lowering, raising, and eliminating cost of living and allowance?

Which Federal employees participated in the survey? Specifically, from the Roosevelt Roads Complex (employees working in Roosevelt Roads live in Ceiba, Fajardo, Luquillo, Naguabo, Humacao, Caguas, Rio Piedras, Toa Baja, etc.)?

If the employees at Roosevelt Roads did not directly participate, who was responsible? (Supervisors, Civilian Personnel Office Representatives, or the Civil Service Commission located in the Metropolitan Area?)

Housing.—What criteria was used to state that there is a difference in rentals between Metropolitan-San Juan and the rest of the island (72 towns)?

Rental fees on the island are as high as in the Metropolitan-San Juan Area (averaging from \$175.00–\$280.00). Fajardo & Luquillo towns, specifically, are considered to be the biggest areas under construction development and houses now a days cost approximately \$33,000+ with rents up to \$300.+ a month.

Utilities.—The whole Island comes under the Water Resources Authority (Autoridad de las Fuentes Fluviales) and Acqueduct & Sewers Authority (Autoridad de Acueductos y Alcantarillados); therefore, the same essential appliances found in the homes of Metropolitan San Juan residents are found in the rest of the island-residents (refrigerator, stove, heater, air conditioners, etc.).

Food.—Where do the rest of the Island (not Metropolitan) buy their food if it is not in Pueblo, Grand Union, Tuyo, Coop (and in the "Corners" grocery store, paying more—remember they have to compete with others)? Are there not more supermarkets in Metropolitan San Juan than on the rest of the Island? Due to this fact, is it not true that Metro residents have more opportunities to compete for better prices? Sale opportunities are ever-present.

Cash & carries are located in every corner in the Metro area.

Clothing.—Where do the average Metro resident buy their clothing if it isn't in Franklins, Bella Hess, Lerner's, Barkers—these same stores are available in other towns of the island; but, we do not have the benefit of "Plaza Las Americas", "Bargain Town", "San Patricio Plaza", "Sears", etc., which offer sales weekly and only the Metro residents can benefit since they are offered mainly on weekdays.

General comments

1. Why was the point of employment and not the area of residence used as basis for lowering, raising, and eliminating the COLA?

2. Why does a person living in Metro San Juan, but working in San Juan get their COLA raised; while a person living in Metro San Juan, but working at Roosevelt Roads (neighbors of course), commuting every day, get his COLA lowered? This is vice versa.

3. How many federal employees reside aboard Federal Housing?

4. What effects will availability of Navy Exchange/Commissary Stores have on civilian employees, if most employees do not have these privileges to begin with? Why should a wife-husband of a retired member of the military be penalized by having privileges to buy at these facilities, and who do not use them since they are primarily for active duty members, and local stores are more ideal/accessible to them, lose their COLA?

5. Why compare privileges from past employer (military service) with those privileges given to employees presently working with Federal Government? (these should be considered as fringe benefits, not "gifts") Why should you penalized a husband for having served his country—This is not in line with recruiting benefits?

6. Why the Army is better than Navy? Why do employees in Ft. Buchanan get NEX privileges and Navy doesn't? Were these employees COLA lowered, raised or eliminated?

7. What "Fringe Benefits" do federal employees have, if any?

AMERICAN FEDERATION GOVERNMENT EMPLOYEES,
Rio Piedras, P.R., February 13, 1978.

To: Hon. Baltazar Corrada del Rio.

From: President, AFGE Local 2408, Box 29468, 65th Infantry Station, Rio Piedras, P.R. 00929.

Subject: Proposed wage grade employees of Veterans Administration of Puerto Rico.

1. Enclosed herewith a proposal from the Wage Grade employees of the Veterans Administration Center of San Juan, Puerto Rico with the purpose that you, as our representative in the Congress of the U.S.A., study and present it to the Congress and others pertinent Federal Agencies to support and take action in these matters.

2. We strongly support the Wage Grade employees in their demands as they are honest, and are based on the real cost of living situation.

3. We will deeply appreciate your interest and cooperation in this proposal.

4. We want to appreciate also your intervention with the Civil Service Commission to increase the Cost of Living Allowance to Federal Employees who works out of the San Juan, P. R. Metropolitan Area.

5. Please, keep us informed of the actions taken in this proposal.

FRANCISCO FRAGUADA SALDANA.

HOUSEKEEPING AIDS, BUILDING MANAGEMENT SERVICES
 AND ALL WAGE GRADE EMPLOYEES,
 VETERANS' ADMINISTRATION CENTER,
San Juan, P.R.

PROPOSAL

We the Wage Grade Employees of the Veterans Administration Hospital, San Juan, Puerto Rico, in particular the Housekeeping Aids of Building Management Service want to bring to your attention and consideration some of the problems and difficulties we face in our wage grades, wage increases and other related items; also, in the cost of living allowance which we do not receive but the General Schedule employees receive. We fail to see the logic of this action. Our feeling is that not enough attention has been given to the grievances and problems of the Wage Grade Employees of Puerto Rico. In fact we have been left behind as compared to the progress and advancement of the General Schedule Employees in Puerto Rico.

So Far, the Veterans Administration, the Civil Service Commission and in part the Union (AFGE) have done nothing or very little to consider our needs. We strongly urge that a special Committee be appointed to look into the whole area of the Wage Grade System in Puerto Rico. We feel that this Committee should be appointed by Congress.

One of the areas we think they should look deep into is the way the Wage Surveys for the Wage Grade Employees are conducted each year in Puerto Rico. One year it is done in person, the following year it is done by telephone. So far, the results of these surveys over the last few years have been very poor. You can well imagine a wage survey conducted by telephone.

In 1973, for example, the increase we received was in the amount of two cents an hour. We think this type of increase is shameful and disrespectful to us as Federal employees and American citizens. This year's increase was in the average of 0.22¢, but in view of the high inflation and high cost of living it was still not good enough. The cost of living index is much higher here in Puerto Rico than in the United States.

The average pay scale for most Housekeeping Aids is at \$2.54 per hour; the same is true of other wage grade employees here. Do you honestly think this is a fair and decent wage to pay these Federal Employees? We strongly feel it is not. We know we are a small part of the total force of Federal Employees in Puerto Rico, but we feel that equal and fair treatment should be given to all Federal Employees and, in part, some extra assistance should be given to those at the bottom of the ladder in an effort to climb that ladder and achieve higher steps.

We know that some of these problems we have outlined can be resolved with help and action by you, the Committee and the Congress. The main reason for writing this letter is that we have waited for some time now, for some action to come to help us in the position we find ourselves in today. The Wage Grade Employees of Puerto Rico have been responsible Federal workers all these years, in particular the employees at the Veterans Administration Hospital. Now it is time to be responsible to our co-workers, ourselves and our families.

We hope and pray that you will give this letter your most prompt attention and concerted action. Also, in some way give it to the attention of the respective agencies so they can see our views as outlined in this letter. We await your reply to this letter because in your reply we will determine what new course of action to follow.

Sincerely Yours,

ACTION COMMITTEE.

OTTO JOSE RIEFKOHL, II,
Old San Juan, P.R., February 13, 1978.

HON. GLADYS N. SPELLMAN,
Chairperson, Subcommittee on Compensation and Employees Benefits, House of Representatives, Washington, D.C.

DEAR MRS. SPELLMAN: Last week I received a photocopy of a notice indicating that today hearings will be held in connection with the Cost of Living Allowance for federal employees in Puerto Rico. I proceeded to call your office and was told by the Secretary of Mr. Ronald McCluskey that only persons that have been invited to testify would be allowed to testify because of time limitations. I am respectfully requesting that this letter be included as part of the written testimony for consideration by the Subcommittee in connection with any determinations to be made regarding the Cost of Living Allowance.

I also talked to my very good friend, our Resident Commissioner, Honorable Baltazar Corrada, and he informed me that he would request the Subcommittee to have my testimony included as part of the Committee proceedings. I have respectfully requested the above because of the fact that it is my contention that most of the people that will testify today do not represent any federal employees in Puerto Rico. The witnesses scheduled for Hearing are several Commonwealth officials, namely: The Secretaries of Labor, Consumers' Affairs, Housing, and the President of the Planning Board. Also I understand the Representatives of American Federation of Government Employees and of the American Postal Workers' Union will also testify. As you can well see, not all Federal Government employees will be represented, because on one side the Subcommittee will hear the position of State Government and for Federal employees only those affiliated to either of the above mentioned Unions will be duly represented. In this manner I believe that not all Federal employees are going to be heard and this is the reason why I would like my views to be considered by the Subcommittee.

In a separate document I have included my proposed testimony which I respectfully request the Subcommittee to take into consideration in its final deliberation.

Respectfully yours,

OTTO J. RIEFKOHL II.

STATEMENT OF OTTO JOSE RIEFKOHL II

My name is Otto Jose Riefkohl. I am the District Counsel of the Veterans Administration for Puerto Rico and the Virgin Islands. I would like to state that my written testimony is in my own behalf and is in no manner the official policy of the Veterans Administration, nor I am representing the Veterans Administration in any capacity before this Subcommittee.

The legislative intent for the Federal Government to give a Cost of Living Allowance to Federal employees in the several areas of the United States has been to in some manner alleviate the high cost of living of that specific areas have in relation to the Nation's capital. Because of this, I believe that all factors should be taken into consideration to arrive at a reasonable cost of living allowance for each specific area of the Nation.

I have read the handbook prepared by the United States Civil Service Commission and the Department of Defense to determine the Cost of Living Allowance for non foreign areas. In the handbook at Page 9, copy enclosed, there is a mention of direct taxes and sales taxes, this being the only mention as to such an important item in connection with arriving at a reasonable COLA allowance. It is my contention that in Puerto Rico it is a known fact that we do not pay Federal income taxes and that the State income tax is in proportion much higher than the Federal income tax. Federal employees in Puerto Rico do not have their local taxes withheld in their pay checks but rather the proposed Federal tax for that if he were to pay taxes to the Federal Government; in other words COLA is not taken into consideration as income, because by law COLA is not taxable by the Federal Government. For

Puerto Rico nevertheless it is a taxable item since it is determined income and as such part of the salary earned by the Federal employee. The result of the above is that the employee usually pays more income tax because of the COLA allowances. The irony of the matter is that COLA is given as an incentive to offset the high cost of living in Puerto Rico and as it is in my case I end up paying more income taxes because of COLA than if I did not receive the same.

A possible remedy that would make COLA a true cost of living differential would be for COLA not to be considered a taxable income by the Commonwealth Government because it is really a form of subsistence equated to food stamps or Veterans Administration G.I. educational benefits, that are nontaxable by the Federal or the State Government. As part of the study that this Subcommittee is conducting possibly an alternative could be that the Law is amended to read that the State Governments will not tax the cost of living differential given to Federal employees or that the definition of COLA is amended to read that it is a subsistence or a federal subsidy not to be considered income. This solution to me is the most reasonable since it falls exactly within the intent to give COLA. In other words, the idea that it is supposed to offset the high prices or the high cost of living of a specific area vis-a-vis the District of Columbia. The way COLA is being given is really an indirect Federal assistance to local Governments by having the Federal employees of the specific areas pay more taxes. The above is reflected by the interest local officials have taken in this matter since it adds up to a great amount of money in State taxes. These monies should not be geared to assist local Governments but rather to help the Federal employee in a specific area where the cost of living including goods and services is one of the highest of the Nation.

Another group that has not been represented by the above mentioned deponents is the Military Retirees and their dependents who are presently employed by the Federal Government. This group of individuals has earned certain benefits that should not be taken away as has been done by the Civil Service Commission in determining their eligibility or not for COLA based on rights acquired previous to their employment by the Government as Civil servants or as dependents of retired personnel. A serious constitutional question is posed by this deprivation of previously acquired rights.

It is also unfair and inequitable in the case of Puerto Rico where only two Commissary Stores service 55,000 retirees and close to 20,000 reservists. As you can see by these figures the use of their privileges is very limited not only because of the many people using the facilities available but by the prices in the Military Stores which do not greatly vary from the existing prices outside the Military reservations.

Based on the above I respectfully suggest that the cost of living differential whatever it may be percentage-wise should be the same for all Puerto Rico. This assumption is based on the fact that I have been a resident of the beautiful island almost all my life making me eligible to say that prices and services are practically the same throughout the Commonwealth of Puerto Rico.

I greatly appreciate the opportunity to be able to share with this Subcommittee my views regarding the Cost of Living Allowance. When I discussed with the Honorable Baltazar Corrada the ideas that I would present to the Subcommittee his reaction to the income tax proposal was very positive and at the same time indicated that it was the first time that this specific idea has been raised by anyone.

CAPARRA TERRACE, P.R., February 13, 1978.

HON. GLADYS SPELLMAN,

House of Representatives, Congress of the United States, House Post Office and Civil Service Subcommittee, Washington, D.C.

DEAR REPRESENTATIVE SPELLMAN: Request this letter be placed into the official records concerning COLA.

The denying of COLA to Federal/Postal Employees entitled to commissary and exchange benefits is unreasonable, discriminating and unjust, for the following reasons:

1. The privileges in the use of the commissary and exchanges were earned as a result of service rendered in the armed services of the Nation, normally by length of years, or medically.

2. Individuals living near facilities where COLA does not exist, receive the same wages as their peers for level and pay scale, while not being punished for their use of said available facilities.

3. The original Executive Order by President Ford (my interpretation), listed the use of, or payment for quarters, along with exchange and commissary privileges, as

the factor in denial of COLA. Retirees do not receive quarters or quarters allowance.

It is felt there has been a misinterpretation of reason number three by the Civil Service Commission, resulting in the present unjust discrimination.

Thank you for your time and indulgence.

Respectfully submitted.

JASPER J. AKERS, Jr.

STATEMENT OF DOROTHY NEWBY

I am an employee with the U.S. Postal Service, GPO, San Juan, Puerto Rico. My job is Clerk-Stenographer, PS-5.

I have been employed as a federal employee with the U.S. Government for twenty-five years.

In 1974, I married a disabled veteran who had been in the Army for 21 years. As a result of this marriage, I acquired a PX and Commissary privilege card.

Despite the fact that I have these privileges, it is on very rare occasions that I buy any groceries in the Commissary as my experience has been that meats are not as good nor as cheap as they are at Pueblo Supermarket. Also, on certain occasions, I got up at 5 a.m. on a Saturday morning to be able to be at the beginning of the line which forms outside the Commissary at Fort Buchanan, only to find that instead of opening at 7 a.m., they suddenly changed their schedule to open at 8 a.m. There was not a single line at 7 a.m. when I arrived there but a triple line. Then it started to rain and I got wet as the area where the line forms is not wide enough to cover the amount of people who had accumulated on the triple line. There was not adequate shelter for all. Also, only a limited number of people enter the Commissary until more carts are available.

In order to shop at the Commissary in a normal manner, I would have to take annual leave from my job during a work day and this time would thus be deducted from my vacation.

Besides the meats mentioned above which are of inferior quality compared to the local (Pueblo) supermarket, certain brands of dog food I require for my pets cannot be found at the Commissary. There are, moreover, many items that are much cheaper at Pueblo Supermarket than they are at the Commissary since Pueblo constantly runs sales in their stores.

Since I lost the cost-of-living allowance more than a year ago, I have been faced with endless problems such as the following:

My husband, who is a disabled veteran, only receives \$343 for over 20 years with the US Army. He now has a temporary job which is subject to termination at any moment. He does not qualify for Social Security or unemployment payments, therefore, my salary is the actual salary we must depend on.

My husband, who is working at the Veterans Administration, also lost the cost-of-living allowance and has a very low grade, GS-3.

Prior to my having lost the cost-of-living allowance, I set a definite budget to live from. I became involved in several bank loans, got involved in the purchase of a new automobile, made improvements on my home, etc. I never expected to lose the cost-of-living allowance (territorial).

My co-workers all receive the 12½ percent cost-of-living allowance. I had to cancel my savings bonds and now am unable to save one penny. I am working only to pay expenses and am heavily in debt and will be for years to come as a result of having lost the territorial cost-of-living allowance.

It seems a shame that the wife of a disabled veteran, particularly when she has been with the Federal Government for 25 years, should lose the cost-of-living allowance.

My husband fought for his country and sacrificed his health and now it seems like he is being punished or mocked for this. PX and commissary privileges were earned by my husband and now I am also being punished, so it appears, in the sense that I have lost my cost-of-living allowance.

Right now we are badly in need of a new refrigerator but we can't afford to buy one. Our food gets rotten in our refrigerator, but we don't have the money as we lost our cost-of-living allowance. So what's the good of having PX privileges if we can't buy the items they sell there which are the worthwhile ones. Other co-workers of mine have the income to buy a refrigerator when they need one. Perhaps they have to buy one at a local department store, but so do I, as I don't have the money to buy it at the PX due to my COLA loss.

STATEMENT OF LINA F. ORTIZ

As a Civil Service employee of Fort Buchanan, P.R. and wife of a retiree I would like to present to the honorable commission studying cost of living allowance in Puerto Rico, the following points for your consideration:

My COLA was withdrawn because I am a wife of a retiree and supposedly have free access to the commissary.

It does not seem fair that some civil service employees performing the same work and with the same grade receive less compensation than others, for the only reason than one or a relative dedicated a large part of his life to serve the country and as a result was granted a privilege. This privilege was granted to retirees of the armed forces and their dependents for having served in the military forces through an extended period of time and not as a result of being employed under the civil service. We were employed in free competition with all other applicants and were hired because of our qualifications for the job with the same rights for compensation benefits as all civil service employees.

In our locality there is only the Fort Buchanan Commissary and I don't believe to have "free access" to it. I am employed and have few hours available to shop at the commissary. The Ft Buchanan commissary serves retirees from all the island and I understand has an average of more than 40,000 patrons per month. Many times one has to wait in lines of more than 100 persons for an hour or more to get a shopping cart and later wait about that same period at the cash register in order to pay. Many times during the only few hours I have available to visit the commissary I find that does not carry the items I need uppermost. Because of this, many of us who are regularly employed, visit the commissary very few times during the year, preferring to shop regularly at the many grocery stores off post, where the other employees that receive the COLA shop, and where we can find the staples that we need at the time, chose the most convenient store and shop after regular work hours. Local groceries stores continually have sales with considerable savings.

I believe that the savings obtained during the few times a year I visit the Ft Buchanan Commissary are not more than \$60 a year. As a result of these savings the cost of living allowance of approximately \$1,600 a year is withdrawn. The commissary facilities at Ft Buchanan are completely inadequate and Veterinary Reports to this effect should be taken into consideration. In my opinion there are other privileges, that we don't have, that place some employees more at an advantage over the others than the commissary privilege—that is to live-on post on quarters maintained by the government, with all utilities, furnishings, use of all facilities, recreation, etc. and the privilege for their children to attend the post Antilles Consolidated School. Contract employees and other federal employees have these privileges. Like the employees that receive the COLA, we live off post where housing, maintenance for upkeep, electricity and water are extremely high. Our children attend off-post private schools where tuition runs \$1,000-\$1,500 yearly per child.

All civilian employees at Ft Buchanan have limited PX privileges, ours is unlimited, that means we can purchase a heavy appliance every three years and heavy appliances last far more than three years. In the United States all employees under Civil Service receive the same compensation for the same job and grade, whether he has commissary privileges or not.

In the case of widows of military service men who are civil service employees the COLA was withdrawn, when their salary is the only source of income.

I believe we were penalized for having the commissary privilege that supposedly placed us in an economic advantage over other employees, but it was not taken into consideration other economic advantages, pensions that the other employees might have that will place them in a far better position. There might be other employees who are retired with other pensions, are civil service contract employees and enjoy all the privileges and COLA.

Thank you for permitting me to present my points of view.

STATEMENT OF ROBERT J. CALVESBERT

This brief statement is being submitted in lieu of a verbal statement at the hearing held by you at the Commonwealth of Puerto Rico Capitol Building on February 13, 1978.

My statement refers to that particular part of the COLA program wherein the Civil Service Commission has ruled that military retirees who work for the Federal Government will be denied the entire COLA allowance because of their access to commissaries and exchanges.

In my particular agency, NOAA National Weather Service Forecast Office at San Juan, P.R., there are five of us who have been unjustly affected by this ruling. I am aware that there are many hundreds more federal employees similarly affected in Puerto Rico and the Virgin Islands. Speaking for our group I must say that we feel this arbitrary decision by the Civil Service Commission has probably done more to hurt moral and instill a sense of bitterness within this particular body of federal employees than anything I can recall in thirty-five years of government service. These people understand what rules and regulations are; they are the first to respond when asked by their country for personal sacrifice whether it be on the field of battle or at home on the economic front. The present Civil Service ruling to deny further COLA to these veterans and military retirees still serving their country is a great injustice.

Actually, we feel that not even the Executive Order 10000 was intended to apply the consideration of access to commissaries and exchanges to those Federal employees who enjoyed the privilege thru service in the Armed Forces and after retirement continued to serve their country as a Federal Employee. Rather, we feel this portion of the Executive Order (paragraph 205(b)(2)) was intended to apply to those Federal Employees who had access to these military facilities by virtue of their Federal civilian employment. The fact that it took the Civil Service nearly thirty years to suddenly and without notice apply their interpretation of this portion of the Executive Order makes us wonder what to expect next.

I think the main point we are trying to make in this statement is that what has happened here represents something rare in government-employee relationship. We feel that our government just does not operate in this manner—to the point that the Civil Service has not served well in this matter. In some respect what it has done is remove the hard earned military privileges from those military retirees whom it employs. We sincerely hope the Congress will act favorably on the Legislation submitted by our Resident Commissioner, Mr. Baltasar Corrada.

