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Annual Report of the Governor of the Virgin Islands to the Secretary of the Interior



FOR THE FISCAL YEAR ENDED JUNE 30

1939

**ANNUAL REPORT
OF THE GOVERNOR OF THE
VIRGIN ISLANDS
TO THE SECRETARY OF THE
INTERIOR**



FOR THE FISCAL YEAR ENDED JUNE 30

1939

**UNITED STATES
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UNITED STATES DEPARTMENT OF THE INTERIOR

Harold L. Ickes, Secretary

TERRITORY OF THE VIRGIN ISLANDS

Lawrence W. Cramer, Governor

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ANNUAL REPORT OF THE GOVERNOR OF THE VIRGIN ISLANDS

CHARLOTTE AMALIE, ST. THOMAS

August 30, 1939

The HONORABLE the SECRETARY OF THE INTERIOR,
Washington, D. C.

SIR: Pursuant to section 20 of the Organic Act of the Virgin Islands of the United States, approved June 22, 1936, I have the honor to submit the following annual report of the transactions of the government of the Virgin Islands for the fiscal year ended June 30, 1939.

ECONOMIC SITUATION

Developments during the past fiscal year have sharply revealed the fundamental differences in the basic economy of the two municipalities of the Virgin Islands.

St. Thomas continued during the year to show improvement due to substantial increases in the shipping business and in the tourist trade. This improvement is illustrated by a variety of indices such as tonnage of ships calling at the port of St. Thomas, the number of tourists and transients visiting St. Thomas, increase in automobile registrations, increase in private building activities, and improvement in the fiscal situation of the municipal government. It is traceable largely to increased activity in the port of St. Thomas, around which the trade and commerce of the entire island revolve.

In St. Croix, where agriculture is the basic industry, confined almost entirely to sugarcane and cattle production, there has been an unfortunate and serious retrogression. The drought of 1938 which reduced the sugar crop for that year by 50 percent was followed by a drought in 1939 which has again gravely affected agricultural activities. Both the sugar and cattle businesses have suffered heavy losses which have been reflected in the fiscal affairs of the municipality. It is probable that the sugar business will sharply decline if unjust discriminations now imposed on it are not promptly removed, or unless that business is heavily subsidized.

It must be borne in mind that such improvements as there have been in the economic and fiscal situation of the municipalities of the Virgin Islands have not in any substantial measure reduced the unemployment problem. Such reduction as there has been, has been balanced substantially by increases in population, both by immigration and by reason of excess of births over deaths.

Sugar business.—Total local sugar production for the year 1939 was 4,956 tons, 60 percent of the 1937 crop (the last not to be reduced by drought). The price of sugar was 10 percent less than in 1938. Production was approximately one-half of the production quota established in the Sugar Act of 1937 for the Virgin Islands. Average per acre yields reported by one sugar company of 38 tons per acre in 1937, 13.8 tons in 1938 and 12.9 tons in 1939 vividly reveal the disastrous effects of 2 drought years. It is probable that the 1940 sugar crop will be even lower because there was a total of only 8.8 inches of rainfall in the first 6 months of this year—the lowest on record in 52 years.

There are approximately 950 growers of sugarcane in St. Croix of whom 400 are homesteaders assisted by the Government in acquiring small farms. The balance are chiefly renters of small plots who raise their crop largely without mechanical cultivation aids.

These growers are paid for their cane by the grinding factories at a rate based on the New York Commodity Exchange sugar price, after numerous deductions. Extraction from sugarcane approximates 10 to 11 percent. Thus, 100 pounds of sugarcane yield 10 pounds of sugar. The grower on delivery of his cane to the factory is paid the value of 6 pounds of sugar at the New York Saturday closing price, minus deductions. In effect, the cane producer is paid the value of six-tenths of the sugar produced from his sugarcane and the factory retains four-tenths. The grower is required to pay haulage charges for transporting his product to the factory and from his six-tenths there is deducted export tax, lighterage, freight, and insurance on the sugar to be made from the cane he delivers to the factory.

This method of computing sugarcane prices resulted in a price of \$2.626 per ton of cane as the average price paid to growers this year. This price compares with \$2.925 in 1938 and \$3.166 in 1937. Three hundred thirty-eight small growers whose production records are available averaged 9.5 tons per acre during the year. Converted into sugar this yield represents approximately 1 ton of sugar per acre. At the average price paid, these small growers received \$24.947 per acre as a gross return on their crop. The agricultural experiment station reports that the cost of production per acre of certain experi-

mental plantings is slightly over \$25, which cost does not include the cutting of seed or harvesting, the latter representing a sizable cost. It appears therefore that the price of cane was less than the cost of production on a labor wage basis.

A preliminary study of the operations of four sugar factories which have operated in St. Croix for varying periods during the past 20 years suggests certain conclusions which may be of value in determining future policies for the sugar industry.

One of these companies which owned 13,400 acres of land of which it normally kept 4,500 in cultivation in administration cane went bankrupt in 1930. During the last 10 years of operation this company established an average annual loss of \$111,178. Another company which owned and leased 2,200 acres of which it kept 900 in cultivation discontinued operations in 1928 after a 6-year period of activity. During this time it made an average annual gain of \$1,391. A third company which owned and leased 2,400 to 4,400 acres of which it kept 1,200 in cultivation established an average annual loss of \$6,865 during 16 years of operation ending in 1938. This company is still in operation. A fourth company owned no agricultural land whatsoever, and during a period of 3 years of operation ending in 1934 established an average annual profit of \$6,003. These companies operated during a period when sugar prices were 50 percent higher and wages were 50 percent lower than they are at the present time.

A positive correlation between the size of their land holdings and the size of average annual losses is apparent. Parenthetically, there is not in effect in the Virgin Islands a law similar to the Puerto Rico law limiting corporations or individuals to agricultural land holdings of not to exceed 500 acres. The two companies described above which showed a net profit from their operations would have shown a substantially increased profit except for the imposition of an export tax on shipments of sugar made from the Virgin Islands. The net loss of the third company referred to would have been converted into a net profit from operations except for the payment of this export tax. The first company would have continued to show a loss even without payment of export tax.

This export tax is levied on sugar shipped from the Virgin Islands to the United States (their only market) under a law originally enacted by Congress in 1917 at a rate of \$8 per ton. In 1927 the rate was reduced to \$6. The tax was originally imposed to replace revenues from customs duties collected on American goods imported into the islands lost to the local government after the change of sovereignty. Collections are deposited in the local treasury, where

they constitute a large item of local revenue. Unfortunately, the tax is shifted to the producer of sugarcane, whose sugar is sold in the American market at going market prices and who is thus placed in a highly unfavorable competitive position. This situation has in turn led to a reduction in the amount of sugar grown in the past two decades, with consequent reduction in income to the local treasury. The most important consequence of the reduction of sugar cultivation, however, is the reduction in employment in this industry which has historically been the most important employer of labor in the islands.

The sugar grower in the Virgin Islands is the only sugar producer under the American flag who is called upon to pay this unusual and burdensome tax, which takes from him in excess of 10 percent of his gross return. After 2 years of drought it has become obvious that he cannot much longer endure the distinction of being singled out for this discriminatory treatment.

The Virgin Island sugar grower is subjected to a further unjust discrimination. Under the Sugar Acts of 1934 and 1937 production quota restrictions are applied to the Virgin Islands to which he must conform. No sugar refineries may be established in the Virgin Islands under the terms of the Sugar Act of 1937. Other restrictive provisions of this act apply to the islands. The local grower, however, is singled out for unusual treatment in that he alone of all sugar producers under American jurisdiction receives no benefit payments which elsewhere return \$10 to \$12 per ton to the grower.

Thus, the Virgin Island farmer receives \$16 to \$18 per ton less for his sugar than do growers elsewhere under the American flag. Although the total amount of money involved is not great, since the Virgin Island sugar quota is limited to 0.24 of 1 percent of the domestic allotment (9,200 tons), the loss to individual growers is substantial. The 338 small farmers referred to above who received an average of \$24.947 per acre this year would have received \$38.547 with benefit payments and without payment of export tax. On their small farms, which average 7 acres, this would have meant the difference between \$174.62 as a gross return this year and \$269.82. Income at the latter rate would have encouraged them to continue their operations and expand them whereas income at the former rate is discouraging their continuance as small farmers.

In the last session of Congress efforts were made to secure the enactment of a bill (H. R. 4773, S. 1685) "To authorize the appropriation to the Government of the Virgin Islands of the United States of taxes collected under the internal-revenue laws of the United States, on liquor and other articles imported into the United States from the

Virgin Islands; the return to the producers in the Virgin Islands of the benefit payments on sugar exported from the Virgin Islands to the United States under an act of Congress known as the Sugar Act of 1937; and also the repeal of the export duty tax on sugar in St. Croix, Virgin Islands." This measure proposes to repeal the export tax now levied on sugar shipped from the Virgin Islands regardless of its destination, to give to sugar growers in the Virgin Islands benefit payments equivalent to those established in the Sugar Act of 1937 and paid to sugar growers elsewhere and to transfer to the Treasury of the Virgin Islands internal-revenue taxes collected in the United States on articles produced in the Virgin Islands and shipped to the United States.

The repeal of the export tax would occasion a substantial loss of revenue to the local government. It is proposed therefore to transfer to the treasury of the Virgin Islands internal-revenue taxes collected on products of the Virgin Islands when shipped to the United States to make good this loss and to make available funds which will permit the satisfactory operation of the municipal governments without annual "deficit" contributions from the United States. Internal-revenue taxes collected on Puerto Rican goods shipped to the United States and on goods from the Philippine Islands shipped to the United States are transferred to the respective insular governments in a manner identical with that proposed in H. R. 4773. This practice has been followed for many years in the case of these two insular governments and it is believed that no logical objection can be advanced to the proposal to accord to the Virgin Islands the same treatment.

At the present time sugar-processing taxes are collected on Virgin Island sugar shipped to the United States where they are deposited in the United States Treasury. It is safe to assume that the sugar grower in the Virgin Islands pays, in the form of a reduced price for his product, at least a portion of this processing tax, yet it is withheld from him.

The enactment of this measure is urgently recommended both to remove unjust discriminations which seriously endanger the survival of the most important industry of the Virgin Islands and to supply the fiscal needs of the local governments in a manner which will permit them to improve their various municipal services without necessity of making annual application for funds to the Congress.

Because of the importance of this legislation each of the municipal governments sent two delegates to Washington to urge its adoption. After 4 months of effort on their part and on the part of adminis-

trative officials of the Department of the Interior, a hearing was held before a subcommittee of the Ways and Means Committee under the chairmanship of the Honorable Jere Cooper, of Tennessee. Unfortunately, the subcommittee could not be persuaded to make a report on the bill before the adjournment of Congress.

Those sugar growers who continue their operations will thus need to await the next session of Congress before they may hope for the removal of the discriminations which now apply against them.

Meanwhile studies are in progress to determine what measures may be taken locally to increase the return to sugar growers for their product, both in ascertaining the elements which should properly enter into the determination of its price, and in improving cane varieties and cultivation methods to produce greater individual yields.

The Farm Security Administration has established an office in the Virgin Islands and is actively engaged in inaugurating crop plans recommended by the agricultural experiment station and in processing loans to small farmers. These efforts will necessarily be secondary to the major requirement of the industry, namely, that of removing the discriminations that now apply against it.

Cattle business.—Operating under laws passed by each of the municipal legislatures, whose provisions closely follow a similar law in force in Puerto Rico, a cattle-tick-eradication program was inaugurated during the year with a W. P. A. allotment, supplemented by municipal funds. Twenty-three dipping vats were constructed in St. Croix, nine in St. Thomas, and five in St. John. Upon completion of this construction program in April a dipping program was inaugurated under a W. P. A. allotment, supplemented again by municipal funds. In St. Croix 7,157 cattle, 2,718 horses, mules, and donkeys, and 3,436 sheep and goats are now being dipped every 2 weeks. In St. Thomas 2,068 cattle, 807 horses, mules, and donkeys, and 1,047 sheep and goats, and in St. John 994 cattle, 278 horses, mules, and donkeys, and 379 sheep and goats are being dipped. Considerable objection was manifested for the first few months, as has been the case elsewhere where such a program has been undertaken, but opposition is gradually subsiding and it is anticipated that the project will be successfully completed after running its course of 18 months of biweekly dipping. The cattle are reported to be in better condition as a result of their dipping which has probably saved many from death in this year's severe and prolonged drought. Legislation has been enacted by the municipality of St. Croix to provide for the destruction of all wild deer, a host which cannot be dipped. Steps are being taken to capture and corral young deer which will also be dipped

and released to restock the island at the conclusion of the tick-eradication program.

As a result of negative reaction to tuberculin tests conducted by the United States Department of Agriculture, and the establishment of effective control measures covering importations of foreign cattle, the islands have been declared a modified accredited area with respect to bovine tuberculosis.

The shipment of live cattle to Puerto Rico continues to be limited to the shipment of animals for slaughter. The insular authorities in Puerto Rico require the pre-testing for tuberculosis and Bang's disease of all cattle shipped from the Virgin Islands to Puerto Rico, thus causing added expense to local cattle growers. Adequate measures have been taken to prevent the importation into the Virgin Islands of tuberculous cattle and of tick-infested animals. An animal-industry control board supervises all incoming shipments of cattle, which are quarantined and which are admitted only for immediate slaughter. The British Virgin Islands, from which cattle move to the Virgin Islands, have inaugurated a tick-eradication program under the direction of a competent veterinarian, which is believed to be wholly effective.

At the close of the fiscal year a P. W. A. allotment was made for the construction of an abattoir in St. Croix. Plans are now in preparation for the erection of this much-needed facility. It is expected to eliminate the losses and the inhumanity resulting from the shipment of live cattle to San Juan, which is now carried on chiefly in small sailing vessels.

Studies for the improvement of cattle types, cattle fodders, and cattle-raising methods are being carried on. The loan facilities of the Farm Security Administration are available to assist in the improvement of this industry.

Shipping business.—The following table of arrivals of vessels of over 100 gross tons reveals the steady and continued improvement of shipping in the harbor of St. Thomas:

Fiscal year	Number	Gross tonnage
1936.....	647	3, 017, 682
1937.....	777	3, 084, 173
1938.....	814	3, 239, 975
1939.....	850	3, 682, 121

The transshipment of bauxite has continued, bringing 33 ships to the port for discharging and loading. Twenty-four cruise ships with 11,715 passengers called at St. Thomas during the year as compared with 6,487 passengers from 13 ships in 1938.

A new airplane service between Puerto Rico, St. Thomas, and St. Croix has been established during the year, giving the island of St. Thomas airplane service in addition to that now provided by the Pan-American Airways and giving St. Croix a regular schedule of air transportation.

Authorized harbor improvement work at the port of St. Thomas was not undertaken by the United States Army Engineer Corps during the year due to lack of funds. The increase of the shipping business and especially the inclusion of this port in the itineraries of large cruise ships make it imperative that harbor improvement work be undertaken at an early date. One of these vessels the S. S. *Nieuw Amsterdam* of 36,287 tons, is the largest vessel ever to have entered and docked in the harbor.

Ninety-five war vessels were included in the number of ships calling at the port. Most of these were vessels of the United States Navy which conducted extensive maneuvers in the Caribbean area during the winter. At one time 23 vessels of the United States Fleet rode at anchor in and about the harbor. The increased use of the port by vessels of the United States Navy is an added reason of very great importance for the early prosecution of authorized harbor improvement work.

Tourist trade.—The substantial increase in the tourist trade in St. Thomas has been noted above. For the first time there have been a substantial number of cruise ships calling at St. Thomas during the summer months, and more have already been scheduled for the fiscal year 1940. Among many reasons contributing to this great increase is the development of the Cooperative Handicraft Shop and the establishment of several other shops catering to the tourist trade. Under a law passed by the municipality of St. Thomas and St. John there was created a "Virgin Islands Board of Business and Tourist Development" which is assisting in the development and administration of plans to increase and improve the facilities of the island to attract and accommodate tourists and winter residents.

Substantial progress has been made in road construction and in improving the sanitary facilities of the community, which have contributed to making the island an accessible and an increasingly healthful resort.

CONGRESSIONAL LEGISLATION

H. R. 4773.—This bill, intended to repeal the export tax on sugar, to give benefit payments to sugar growers in the Virgin Islands equivalent to those given to growers elsewhere, to make available to the insular government internal-revenue taxes collected on Virgin Islands prod-

ucts shipped to the United States, was not favorably acted upon by the Congress despite many months of effort by representatives of the local governments and by various administrative officials. The imperative necessity for the enactment of this measure has been described above. Its enactment will permit the continued operation and expansion of the only important agricultural industry in the Virgin Islands. The failure to remove legal discriminations now operating against it will inevitably increase the unemployment and relief problem of the islands which is already disproportionate.

S. 2682.—A bill "To amend the Fair Labor Standards Act of 1938 to provide a special procedure for fixing minimum wage rates for Puerto Rico and the Virgin Islands" was passed by the Senate but failed of passage in the House. The enactment of this measure would have the effect of depriving workers in the Virgin Islands engaged in interstate commerce or in the production of goods for interstate commerce of part of the benefits of the Fair Labor Standards Act of 1938. Where such workers are engaged in the production of goods which are sold in the American market in competition with goods produced elsewhere in the United States where the minimum wage provisions of the act apply, it is doubtful if any justifiable basis exists for depriving them of the benefits of the act.

Judge of the district court.—There was enacted an act to authorize the appointment of a special judge for the District Court of the Virgin Islands for temporary periods in the absence or disqualification of the judge of the district court.

Amendment to Section 4 of the Organic Act.—There was enacted an amendment to section 4 of the Organic Act of the Virgin Islands to clarify certain wording contained in this section which had been interpreted to make all navigation laws of the United States, including all taxes falling on shipping, applicable to the Virgin Islands. After an investigation by a representative of the Department of Commerce who held hearings in the Virgin Islands, a form of amendment was agreed upon by the various administrative agencies of the government concerned and recommended for adoption. Under this amendment it is specifically provided that the navigation laws of the United States do not apply to the Virgin Islands, but authority is given the President of the United States to extend such portions of these laws to the Virgin Islands as he may find and declare to be necessary in the public interest.

LOCAL LEGISLATION

Legislative assembly.—Of 15 items included in the call of the Acting Governor for consideration by the Legislative Assembly which

met for its second session from November 14 to November 21, 1938, 2 measures were enacted. One of these established a uniform electoral law for the Virgin Islands, the other was a law of minor importance to standardize leave of absence for government employees. Three resolutions not properly before the assembly were also enacted.

Municipal council of St. Thomas and St. John.—In addition to a number of routine ordinances, legislation was enacted to authorize the selection of two delegates to proceed to Washington to represent the municipality in securing legislation of interest to the Virgin Islands; to create a corporation to be known as the Virgin Islands Board of Business and Tourist Development and to establish and define its powers; to authorize the purchase of a portion of John Brewer's Bay, St. Thomas, for transfer to the United States Navy for the Marine aviation field.

Numerous important measures introduced in the municipal council were not acted upon. An ordinance to authorize the establishment of a parental school, whose need is universally recognized, was not acted upon. An ordinance to establish more effective regulations for the operation of motor vehicles, the need for which has been repeatedly demonstrated, failed of enactment. Legislation calling for the elimination of pit privies and the insanitary night soil removal service within the limits of the town of Charlotte Amalie, and the substitution therefor of sanitary flush toilets was neglected. An ordinance to control the entry into the municipality of persons afflicted with dangerous communicable diseases was not acted on. A bill to create a municipal housing authority to undertake slum clearance which would be eligible to receive assistance from the Federal Housing Authority was not enacted. Similarly, bills to provide a pension system for officials and employees of the municipality and to establish a workmen's compensation system in the municipality were neglected.

Municipal council of St. Croix.—Several measures of importance were enacted by the municipal council including an ordinance to authorize the execution of a contract with a private power company to furnish electrical energy for light and power in the island of St. Croix, which has brought about a slight reduction in rates and the establishment of a sliding scale of rates which will be reduced as consumption increases; to continue an ordinance imposing excise taxes in the municipality; to authorize the appropriation of funds for cattle tick eradication and for the elimination of wild deer; and to select two delegates to represent the island in Washington in matters of legislation relating to the Virgin Islands. An important measure

creating a municipal scholarship fund from which loans are made to worthy students to permit them to enter collegiate institutions in the United States was also enacted.

FISCAL

The revenues of the municipality of St. Thomas and St. John again showed substantial increase over the previous fiscal year. Those of the municipality of St. Croix showed a very considerable decline. This decline was due in part to the decrease in revenues from the sugar business resulting from drought but chiefly because of the nonshipment of sugar ground in the 1939 harvest, because factory owners hoped for action by Congress to repeal the export tax on sugar. The fiscal situation of the municipality of St. Croix will continue to be unsatisfactory until the major industry of the island is permitted to operate on a basis of equality with other sugar-producing areas of the United States.

Municipality of St. Thomas and St. John.—The actual revenues of the municipality of St. Thomas and St. John were \$232,676 as compared with \$213,981 in 1938, and \$179,640 in 1937. Income tax collections were \$81,900, practically equal with collections of \$81,876 in 1938, and compared with \$35,488 in 1937. A new tax of 4 cents per gallon on gasoline, which became effective on July 1, 1938, yielded \$5,843. A new trade tax which became effective on July 1, 1938, superseding an old trade and lamp tax, yielded \$11,644.

Municipality of St. Croix.—The actual revenues of the municipality of St. Croix were \$156,881 which was a substantial decrease from revenues of \$191,816 in 1938, and \$178,069 in 1937. Income tax collections were \$9,816 as compared with \$16,365 in 1938, and \$12,042 in 1937. Export tax on sugar yielded \$18,493 as compared with \$37,303 in 1938, and \$29,958 in 1937.

Cost of the municipal governments.—The total expenditures of the municipality of St. Thomas and St. John were budgeted at \$273,244. The United States contributed a deficit appropriation of \$40,000, \$20,000 less than the preceding year.

The total expenditures of the municipality of St. Croix were budgeted at \$249,391. The United States contributed a deficit appropriation of \$80,000, of which \$45,000 was appropriated in the second deficiency bill. It is probable that after all accounts for the fiscal year 1939 are closed there will still be a deficit of approximately \$20,000 borrowed from the public funds of the municipality, which must be repaid during the new fiscal year.

St. Thomas Harbor Board.—Revenues of the St. Thomas Harbor Board were \$30,154 compared with \$30,869 in 1938, and \$32,267 in 1937.

The Federal Appropriation

The appropriation "Government of the Virgin Islands, 1939," was as follows:

Central administration-----	\$127, 250
Agricultural station and vocational school-----	38, 000
Deficit, municipality of St. Thomas and St. John-----	40, 000
Deficit, municipality of St. Croix-----	35, 000
Total-----	240, 250

The Second Deficiency Appropriation Act, fiscal year 1939, appropriated \$45,000 to provide for the additional deficit of the municipality of St. Croix.

W. P. A. Projects

After 2 months' delay at the beginning of the fiscal year and with an additional 2 months' delay after February 28, 1939, the following work relief projects, carried on as W. P. A. projects, were authorized for completion by June 30:

1. Improve highways system throughout the municipality of St. Thomas and St. John-----	\$86, 023
2. Improve streets throughout the city of Charlotte Amalie, St. Thomas--	25, 030
3. Improve streets of Christiansted and Frederiksted, St. Croix-----	20, 445
4. Improve highways throughout the Island of St. Croix-----	50, 000
5. Collect, transport, crush, and screen rock for use on W. P. A. highway improvement projects, St. Thomas-----	14, 514
6. Improve public highways throughout the municipality of St. Croix--	47, 700
7. Improve sanitation and water supply in Christiansted and Frederiksted, St. Croix-----	25, 500
8. Extend sewer and water lines, erect public automatic flush toilets, etc., throughout the city of Charlotte Amalie, St. Thomas, V. I.-----	17, 000
9. Construct pit privy and other sanitary facilities at Mafolie public school, St. Thomas, Virgin Islands-----	1, 500
10. Eradicate and control cattle tick throughout the islands of St. Thomas and St. John-----	4, 728
11. Eradicate and control cattle tick throughout the island of St. Croix--	12, 320
12. To improve, alter, and renovate the morgue at the municipal hospital, Charlotte Amalie, St. Thomas, Virgin Islands-----	4, 000
13. Improve and rehabilitate municipally owned buildings and grounds in and near Charlotte Amalie, St. Thomas, V. I.-----	6, 506
14. Improve and rehabilitate municipally owned buildings and grounds throughout the island of St. Croix-----	30, 956
15. Eradicate and control cattle tick throughout the islands of St. Croix, St. Thomas, and St. John, V. I.-----	5, 432
16. Make general improvements to utilities, facilities, roads, and lands at the agricultural experiment station on estate Anna's Hope; Federal homesteads projects at Whim, Princesse, St. John, and Colquhoun; and municipal homesteads at Rattan, all on St. Croix Island-----	6, 592
17. Improve Long Bay public recreation grounds in Charlotte Amalie, St. Thomas, V. I.-----	1, 248

18. Maintain and operate sewing rooms in Christiansted and Frederiksted, St. Croix, V. I.....	12,500
19. Operate a production project for making of mattresses to be distributed free of charge to the needy, at Charlotte Amalie, St. Thomas.....	10,500
20. Provide, coordinate, and supervise nursery schools and necessary parents' education at St. Thomas and St. Croix, V. I.....	7,916
21. Maintain and operate sewing rooms in Charlotte Amalie, St. Thomas, V. I.....	8,300
22. Conduct a survey and study of skin and blood diseases, Charlotte Amalie, V. I.....	5,330
23. Improve school gardens; landscape and improve school grounds; prepare school lunches, St. Thomas, V. I.....	1,000
24. Improve school gardens; landscape and improve school grounds, prepare school lunches, St. Croix, V. I.....	878
25. Catalog, bind, and mend books and provide special assistance for children's library work.....	415
26. A construction project to construct more roads and trails to make homesteads more accessible, St. Thomas, V. I.....	5,576
27. Improve grounds at the H. H. Berg's Homes Project of the U. S. Housing Authority in Charlotte Amalie, St. Thomas, V. I..	1,200
28. Improve drainage facilities and control flood waters at Bourne Field on Lindbergh Bay, St. Thomas, V. I.....	2,000
29. Administrative expenses of the government of the Virgin Islands..	11,950
30. Rural rehabilitation projects of the Department of the Interior on Federally owned property in the Virgin Islands.....	53,804
31. To aid Virgin Islands Cooperatives Association for needy persons, etc., Charlotte Amalie, St. Thomas, V. I.....	12,772
Total	493,605

P. W. A. Federal Project.—An allotment, Federal Project 15, was made by the Public Works Administration in the amount of \$28,709 for the purpose of removing the Agricultural Station from Lindbergh Bay to a new site at Estate Dorothea, including the purchase of land and the construction of buildings thereon. The Lindbergh Bay site was transferred to the United States Navy Department for use in connection with the United States Marine Corps air base.

Construction work is progressing rapidly and a well planned, well located, and adequately equipped agricultural station will be available in the new fiscal year.

P. W. A. Non-Federal project.—The Public Works Administration made a grant to the municipality of St. Thomas and St. John, in the amount of \$30,273 representing 45 percent of the cost of reconstructing the municipal building at Charlotte Amalie. The total cost of this project was estimated at \$67,273. The municipality of St. Thomas and St. John contributed \$15,000 by direct appropriation and \$22,000 by loan from the public funds.

When completed, this building, which is an historical and architectural monument, will house a number of activities of the municipal government for which space must now be rented.

Collections for deposit in the United States Treasury.—A total of \$7,304 was collected from homesteaders under land and house purchase contracts, interest and principal on loans and miscellaneous collections.

United States Housing Authority rental collections.—A total of \$5,461 was collected in rentals in three low-cost housing projects, whose management has been turned over to the Government of the Virgin Islands. These collections compare with a total of \$5,798 in rentals due.

St. Thomas, V. I., lottery.—There were six drawings held during the year. The amount of \$5,420 borrowed from the public funds to start the lottery was repaid. In addition, an appropriation of \$1,800 was made from the lottery fund, for distribution on December 24, 1938, to 100 needy persons, for repairs to public buildings of the medical service, and for school lunches. At the close of the fiscal year the lottery surplus fund had a cash balance of \$7,346 of which \$4,212 was held in a surplus account.

WORK RELIEF PROGRAM ACCOMPLISHMENTS

Roads.—In St. Croix 3 miles of new hard-surface highway were built and $27\frac{1}{2}$ miles of asphalt-surface roads were seal-coated; 39 miles of dirt roads were improved; 13 bridges and large culverts were built; 84 miles of roadside clearing and ditching were completed. In St. Thomas $31\frac{1}{4}$ miles of asphalt penetration road, largely in difficult hillside areas, were laid. In St. Croix rights-of-way established by law have been reclaimed where abutting property owners have encroached on the public highway. No difficulty was experienced in St. Thomas in securing additional rights-of-way where needed from property owners in accordance with authority granted by local law. The road construction programs have contributed to the development of St. Thomas as a tourist resort and to the facility of farm-market transportation in St. Croix.

Streets.—In the two towns of St. Croix 96,034 square feet of hard surface streets were laid and asphalted and a total of 171,723 square feet were seal-coated, and 9,829 lineal feet of concrete gutters were constructed along these streets which, together with the installation of culverts, has contributed greatly to reducing a serious health menace.

In St. Thomas 114,000 square feet of hard-surface streets were laid and asphalted in the town of Charlotte Amalie and 500 lineal

feet of concrete gutters were constructed along these streets. The street surfacing and drainage programs which have been carried on for a number of years with allotments of relief funds have improved the healthfulness and the appearance of the towns of the Virgin Islands whose cleanliness is frequently commented upon favorably by visitors.

Sewers—Water lines—Water supply.—Additional units of sewer lines and salt-water lines were laid in each of the three towns of the Virgin Islands. Sewers, salt-water lines and flush toilets were installed in hospitals and in public schools in St. Croix. Sanitary facilities were installed in the Mafolie country school in St. Thomas. Twenty-one public wells were cleaned and sealed against surface contamination. Additional cisterns with a capacity of 48,000 gallons for the storage of rain water were constructed.

Extensive repairs were made to Creque Reservoir in St. Croix where silting and increasing seepage endangered the dam structure which impounds 9,000,000 gallons of potable water. The dam footings have been strengthened and the reservoir area cleaned and put in order for the storage of water when the rains fall.

Cattle tick eradication.—As noted above cattle dipping vats have been constructed in each of the islands and a dipping program has been inaugurated, which after an 18-month schedule is calculated to exterminate the cattle tick in the Virgin Islands.

Municipal buildings.—The morgue at the municipal hospital at Charlotte Amalie was rebuilt. General repairs and improvements were made to the hospital buildings in St. Croix. A number of small structures including sanitary sheds, markets, etc., were repaired and improved. In both islands a beginning was made to effect much needed repairs and improvements of the municipal telephone systems.

Women's projects.—A mattress-making project, employing an average of 35 persons, gave employment to 380 persons through a system of biweekly rotation of employment. A total of 1,036 mattresses were made which were distributed to relief cases.

Sewing projects in both municipalities gave employment to a substantial number of women most of whom are family heads. There were 8,338 articles of clothing produced on these projects which were distributed to needy cases.

Nursery schools.—Three nursery schools were conducted under the direction of a highly qualified and capable supervisor. These schools, with an enrollment of 25 preschool children each, have operated as model schools to demonstrate the feasibility and desirability of establishing this phase of education on a permanent basis and to develop a program of parental education in child rearing. The suc-

cess of this program encourages its expansion in the new fiscal year.

Homesteading.—In the island of St. Croix 77 municipal homesteaders and 261 Federal homesteaders grew approximately 20 percent of the sugarcane produced in the island. The Federal homesteaders made installment payments to the Government of \$8,503 and received \$11,497 for themselves. This average is slightly better than last year but is far short of the 1937 record when 230 paid the Government \$10,247 and received \$34,284 for themselves. The repeal of the export tax would have increased their gross returns by 15 percent, and return of the sugar-processing tax to them in benefit payments would have added another 40 percent.

On the four Federal homestead projects in St. Croix there are 284 homesteads totaling 2,148 acres under contract. About 70 percent of the homesteaders are now in their fifth or sixth year. During the year 7 homesteaders died, 9 relinquished their plots and 18 were evicted for continued neglect of cultivation. Many of the relinquishments and evictions resulted from the fact that homesteaders found outside wage employment preferable to the uncertain income from cane cultivation, which is realized only at harvest time.

Relinquished plots have been divided among adjacent homesteaders who have proved their ability to operate farms of greater area than the average of 7 acres now held by homesteaders. This average has proved too low to support a homesteader and his family in good years and bad, and to make it possible for him to meet amortizing rentals both on his house and plot. With mechanical cultivation facilities supplied at cost by the Government, with seed and cultivation loans, ambitious homesteaders have proved their ability to operate farms of greater area.

Seven new houses were built, bringing the total of houses constructed for homesteaders on Federal projects in St. Croix to 74. Many more houses must be constructed if all successful homesteaders are to be provided for.

Fifty-three homesteaders occupy 80 plots on two Federal homestead projects in St. Thomas on which they have contracted to purchase 609 acres. These projects are largely of a subsistence homestead character since no agricultural cash crop other than vegetables and fruit for local consumption is grown in St. Thomas.

The perennial difficulty of supplying management and superintendence of these projects was relieved at the beginning of the year by an allotment from Farm Security Administration funds. This allotment expired on June 30 and again there is need for funds to carry on the management and administration of this 20-year program. Representations have been made to the Farm Security Admin-

istration, which was established to administer rural resettlement programs, to have that agency take over the various homestead projects in the Virgin Islands whose operation has been successful and hopeful. That agency has already established an office in the Virgin Islands and is well qualified to administer them.

Virgin Islands cooperatives.—The Virgin Islands cooperatives are made up of three units—a handicraft cooperative, a cabinet makers' cooperative and a farmers' cooperative.

The cabinet makers' cooperative has 10 members and employs 25 apprentices. It manufactures furniture and small wooden objects, some of which are sold through the handicraft cooperative market. It seeks orders for a variety of local commercial woodwork and occasionally bids on Government contracts.

The farmers' cooperative has 63 members, most of them farmers, but a few who are market women who act as "distributing members." These latter sell vegetables, fruits, etc. at retail in the public market. They have found the cooperative a useful source of supply for their small stock-in-trade. The cooperative takes from farmer members all of their produce which it subsequently attempts to sell in a small market conducted by the cooperative. Sales have increased but lack of adequate facilities for storage and refrigeration have been seriously limiting factors in the development of this organization. Funds have now been made available for the erection of a suitable market with storage and refrigeration facilities which it is proposed to lease to the cooperative when completed. Much additional business is to be hoped for when sanitary and satisfactory facilities and equipment are available, both in supplying local needs and in selling local produce to the many steamships which call at the port of St. Thomas.

The handicraft cooperative is the largest and most important unit of the cooperative organization in the Virgin Islands. It furnishes a market where local handicraft goods are sold chiefly to tourists calling at the port of St. Thomas on cruise ships, but also to mail-order customers and to wholesalers in the United States. Approximately 750 persons are engaged in the production of goods, of whom 200 are steadily engaged in this work. Weekly purchases by the cooperative from producers have risen to \$600 per week. Sales during the fiscal year of these three units were as follows:

Handicraft cooperative.....	\$45,394.96
Cabinet makers' cooperative.....	6,571.84
Farmers' cooperative.....	8,785.51
Total.....	60,752.31

A W. P. A. allotment for administration and supervision of cooperative activities made possible the employment of 15 instructors who conducted classes to teach interested persons methods of producing goods for sale to the cooperative.

A great increase of tourist traffic has resulted in an increase of 17 percent in the sales of the handicraft cooperative and has on several occasions led to its inability to meet the market demand. The prospect for the new fiscal year is that all previous records of the number of cruise ships calling at St. Thomas will be exceeded. The handicraft cooperative will therefore need to expand its production considerably if it is to meet market demand. Additional instruction and some changes in management policy to give a greater return to producers of goods are necessary to permit the further expansion of this highly successful enterprise.

Miscellaneous projects.—A number of projects, including a survey and study of skin and blood diseases in St. Thomas, improvement of school gardens, improvement of grounds at the Charlotte Amalie low-cost housing project, and improvement of drainage facilities at the marine aviation field, were successfully conducted.

AGRICULTURAL STATION AND VOCATIONAL SCHOOL

Emphasis has been placed on extension work, especially to assist homesteaders and small growers to improve their cultivation practices. Plantings of a selected variety of sugarcane have been made on each of the homestead projects in St. Croix from which seed sufficient to plant 120 acres will be available for distribution to homesteaders who adopt approved methods of cultivation. Studies are in progress to determine the factors which account for the low price paid to cane growers for their product.

The normal work of the St. Thomas substation has been impeded because of the necessity for removing the station from its present site. The construction of a new station has proceeded satisfactorily and will make available in an excellent location a well-equipped station as a center of activity from which extension work among small farmers can be carried on. An advisory committee on agricultural problems has in preparation an exhaustive report on the potentialities of agriculture in St. Thomas in which numerous recommendations for the improvement of farming methods and administrative control will be made.

The personnel of the agricultural station has administered the tick-eradication program.

A reorganization of the activities of the vocational school was successfully accomplished, resulting in the concentration at that school of all vocational instruction for boys previously given there and in the municipal high schools and grade schools. This centralization of vocational education permits improvement in the type of training given and has made the facilities of the vocational school available to a greatly increased number of students. Emphasis continues to be placed on agricultural education to fit boys for the type of farming operations carried on in the island.

MUNICIPAL GOVERNMENT ACTIVITIES

Education.—In the Mafolie district, St. Thomas, there was completed and put into operation a new rural school, making public-school facilities available for the first time in a district whose population has been steadily increasing. Adequate provision was made by the municipality to equip this school which is now one of the most satisfactory units in the school system. An extensive program of minor repairs and improvements to school buildings and grounds was made possible through an allocation of W. P. A. funds. Added appropriations were made available by the municipality of St. Thomas and St. John for the maintenance and equipment of public schools so that plant maintenance and improvement have been conspicuously above average. Unfortunately, this field has been so long neglected that a number of above-average years are required to put school buildings and equipment in satisfactory condition. Four thousand dollars was appropriated by the municipality for deposit in the previously penniless municipal scholarship fund. Sufficient funds were made available from local sources to permit the uninterrupted operation of the school lunch service. Appropriations and facilities were made available for the development of industrial education as a feature of the secondary school program. The reestablishment of nursery schools has already been commented upon.

The failure of the legislative bodies of the Virgin Islands to act upon recommendations repeatedly made for the revision of antiquated school laws has deferred again the inauguration of many necessary improvements in the school systems.

Whereas the results of standard achievement tests given in the ninth and twelfth grades of the Charlotte Amalie High School compare favorably with standard norms, namely 75.5 compared with the standard of 76, and 140 compared with the standard of 142, respectively, similar tests given in the sixth grade in St. Thomas schools indicate that achievement in that grade as measured by standard

tests is still conspicuously low. The median for all sixth-grade pupils in the public schools in terms of grade equivalent was 5.4. Undoubtedly this disparity is attributable in large measure to the fact that many grade-school teachers are themselves without adequate educational background. A study in 1938 revealed that of 119 teachers in the municipal school systems, 26 had college or normal-school preparation, 37 had completed high school, while 56 had less than a high-school education. Progress continues to be made with the generous support of the municipalities to assist students through scholarship aids in acquiring higher education in collegiate institutions in the United States. The regularization of this program through the establishment of municipal scholarship funds in both municipalities and through the generosity of colleges and universities in the United States in making tuition scholarships available for Virgin Island students, will permit the gradual elimination of inadequately prepared teachers in the school systems. Unfortunately, efforts to establish a pension system which would permit the retirement of superannuated teachers have not yet met with success. When such a system is established, as it should be in the near future, administrative officials will be able to attack the problem of inadequate teacher training.

Health and sanitation.—Although handicapped by decaying, in some cases unsafe buildings, inadequate equipment, and transportation facilities, the medical staff has maintained its excellent record both in caring for the sick and in preventive work. There have been no epidemics of any kind and further scientific research has been carried on. The resignation of Dr. James I. Knott, after seven years of service as chief municipal physician, St. Croix, constitutes a great loss to the medical department.

There is growing concern over the increased incidence of tuberculosis, in this climate an insidious disease which too often terminates fatally. No special facilities are available for the segregation and proper treatment of tuberculosis cases. This situation and the unsatisfactory condition of all medical buildings continues to constitute a serious problem.

Mr. Felix Lamela of the School of Tropical Medicine of San Juan conducted a survey of medical department structures and reported that none of them are satisfactory or adequate, that all but one should be replaced with modern structures built to meet special institutional requirements. The cost of such a program is beyond the financial capacities of the local governments and must be met from other sources.

A medical advisory committee has been appointed to make a thorough study of the health and sanitation needs of St. Thomas. Preliminary reports indicate that much legislation must be enacted by the local government in order to safeguard and improve the health of the community.

Customary annual examination of school children revealed again that a large majority of school children suffer from malnutrition and anaemia.

For the calendar year 1938 the birth rate was 32, compared with an annual average of 29.8 in the years 1933-37. The infant mortality rate was 131.9 compared with 131.2. The death rate was 22.2, compared with 21.5.

Welfare.—The welfare offices, although severely limited in personnel, continued to administer a great variety of activities. They administer the distribution of direct relief funds appropriated by the municipal governments, which in St. Thomas were considerably increased during the year. Sufficient funds are, however, not yet available in either municipality to meet even the minimum requirements for this purpose. The Federal Surplus Commodities Corporation has made foodstuffs available to assist in meeting the needs of indigents and of the unemployed, many of whom were not given employment on relief projects due to limitation of funds. These offices administered sewing and mattress-making projects which gave relief not only to those employed on them but made possible also the distribution of clothing and mattresses to needy cases.

They act also as employment offices for the registration, investigation and assignment of relief project workers. They continued to act as tenant selection agencies for the three low-cost housing projects. In addition, they carried on district nursing activities in cooperation with the medical service.

Public works.—In addition to directing important construction projects carried on under the W. P. A. program, the Public Works Departments carried on their routine work of maintaining public buildings, roads, sanitary and street cleaning services.

Public libraries.—Only one of the three structures used as public libraries is adequate in space and satisfactory in arrangement.

In addition to maintaining the normal library service, attention has been directed to the accumulation of a collection of books, maps, and historical documents relating to the Virgin Islands, and to the West Indies in general. This special collection is growing and will soon require additional facilities for its storage and for making it accessible to students and others who desire to use it.

Police and prison department.—No unusual developments disturbed the public peace. Although there is obvious need for improvement in the administration of the police departments, routine activities were carried on with moderate effectiveness. The need for the establishment of a pension system is especially evident in relation to the personnel problem of these departments where decreased efficiency of superannuated officers leads inevitably and quickly to the deterioration of an essential service.

CIVILIAN CONSERVATION CORPS

In St. Croix the Civilian Conservation Corps carried on three major projects. One was the development of Federally owned land at Sandy Point which is being cleared of brush and planted in coconuts, and which is now extensively used as a recreational center by residents of the western part of the island. The construction of a road over the mountains connecting the central plain of the island with a heretofore isolated fertile area along the north shore was continued. When completed it will provide a shorter haul for sugar growers on the northside and encourage the development of that section. In addition it will constitute a scenic drive for local residents and tourists. The third and largest project in St. Croix is the development of a public reservation of 4,500 acres at East End. Along its western boundary a 12-strand wire fence has been built from sea to sea, with gateways on the north-shore and south-shore roads entering the area. Considerable clearing of land has already been done to permit afforestation activities. Many miles of roads have been improved or opened and the recreational possibilities of the area are gradually being made available. This area will subsequently constitute a game refuge and will, at the conclusion of the tick eradication program, be used to restock the island with wild deer.

In St. Thomas a substantial road construction and improvement program has been carried on. The present site of the C. C. C. Camp at Lindbergh Bay has been transferred to the United States Navy Department for use in connection with the development of the Marine Corps aviation field. A new camp site has been made available and the transfer of buildings and the construction of new buildings is now in progress.

IMMIGRATION

United States immigration laws were administered by officials of the Government of the Virgin Islands designated by the United States Department of Labor to perform the various duties of immigration officials.

A total of 690 vessels and 37 airplanes entered the ports of St. Croix, with a total of 8,048 passengers, of whom 2,753 landed. Of those landing 186 were aliens. Immigration exceeded emigration by 349 for the year, a slight decrease from the previous year. Most of these incoming residents came from Puerto Rico. All immigrants are required under a local law to submit to medical examination. Only 30 of those examined were found to have communicable diseases. Of these, 12 were deported and the balance were permitted to remain after submitting to treatment for mild forms of lesser infections. The law has apparently served a good purpose in deterring attempted entry by those who know they are diseased.

On 850 steamships and 191 airplanes a total of 25,436 passengers were brought to St. Thomas. Of these 4,113 landed at this port. In addition a total of 3,745 passengers arrived from the British Virgin Islands on 1,535 sloops. Of this number 3,574 departed during the year.

CONCLUSION

It is of first importance that legislation be enacted by the Congress to remove discriminations now operating against the sugar business in the Virgin Islands and thus to permit continuation of the notable progress which has resulted from the program of economic rehabilitation carried on in St. Croix now interrupted by 2 disastrous drought years. The desirability of encouraging this industry, which is the greatest single employer of labor in the island is obvious. Little or no possibility exists of reducing unemployment unless it be through the expansion of this industry. The encouragement and assistance given by the government to 400 families to establish them on small farms, most of whom depend on sugar as their cash crop, should be continued and made effective by removing discriminations which greatly discourage private industry and initiative.

The execution of authorized harbor improvement work in the harbor of St. Thomas at an early date will greatly contribute to and accelerate the economic progress of St. Thomas. The enactment of legislation by the Congress in the last session to relieve the shipping business of certain restrictive requirements of Federal law gives encouragement and promise of further increase in this business. The improvement of the harbor will facilitate and encourage additional tourist traffic to the Virgin Islands and will be of importance in connection with national defense plans.

In addition to the need for continuing the program of economic rehabilitation of the islands to permit the useful employment of their

population and their meager natural resources, there is immediate and imperative need for funds which will permit the reconstruction and equipment of medical institutions maintained by the local governments.

Respectfully submitted,

LAWRENCE W. CRAMER, *Governor.*



