

## **REPORT AND ANALYSIS**

TO: President of the Senate, Speaker of the House of Representatives,  
Members of the Chuuk State Legislature

FROM: Staff Attorney Charles L. Light

DATE: August 25, 1992

RE: GAMING WORKSHOP IN RENO, NEVADA; ANALYSIS OF IMPACTS OF CASINO  
GAMING IN CHUUK STATE

### I. Introduction

At the request of Legislative Counsel Wesley Simina, I attended a workshop on Casino Gaming, sponsored by the National Association of Attorneys General, in Reno, Nevada, June 22-23, 1992. The purpose of the trip was to obtain information regarding the positive and negative aspects of casino gaming from professionals, and to pass that information on to the Legislature. The trip became necessary as a result of the issuance of a development permit by the FSM Government, which permit authorized the construction and operation of a 400 room hotel and casino in Polle Municipality, Chuuk State.

On August 17, 1992, all counsel from the Office of Legal Counsel of the Chuuk State Legislature were requested, by Vice President Karsom Enlet, to provide a complete analysis of the impact of the construction and operation of the aforementioned hotel and casino on the Municipality of Polle, and on Chuuk State in general. This document is intended to act as a report on the Gaming Workshop which I attended, and as an analysis of the impacts of major development and gaming in Polle, and in Chuuk State.

The Gaming Workshop was attended by approximately 40 persons, from at least twenty jurisdictions. While the Workshop in part was held as a result of United States Government legislation regarding Native American gaming, it was beneficial to all attending, since it addressed many aspects of casino gaming. Major addresses were made by the Attorney General of Nevada, the Chairman of the Nevada Gaming Commission, the Chiefs of the Investigations Division and the Enforcement Division of the Nevada Gaming Control Board, a representative of an electronic gaming device manufacturer, and the Special Counsel for Gaming to the Oregon Attorney General.

### II. Information and Conclusions from the Gaming Workshop

Perhaps the most important conclusion which can be drawn from attendance at the Gaming Workshop is that casino gambling is a viable source of

revenue for governments, and that it can be conducted in a manner which to a great extent, although not completely, eliminates the intrusion of individual or organized criminal elements. There are 16 gaming casinos in Poland, 8 in Hungary. There are 198 casino locations in Nevada with gaming revenues (does not include hotel, food, souvenirs, etc.) in excess of \$1,000,000 per year. Those 198 locations generated approximately \$546,000,000 in net income before Federal taxes, based upon gross revenues in excess of \$9 billion. Occupancy rates for these locations averaged 85% for fiscal year 1991.

Destination gaming in Nevada is the single largest employer in the State, and provides the state with the largest portion of its tax revenues. Nevada realizes property tax revenue, profits tax of not less than 6.25%, and revenues resulting from State income taxes on employees of hotels and casinos. Total Nevada State revenues from gaming were approximately \$420 million in FY 1991. In New Jersey, Casino Revenue Fund income for calendar year 1990 was approximately \$223 million. This is income from only one city, Atlantic City, New Jersey. Exact numbers are not available, but it can be assumed that this \$223 million in direct State revenue was generated from not more than 20 locations with net gaming revenues in excess of \$1 million.

The State of Colorado has just begun restricted (the maximum bet and maximum loss per day are limited by law) casino gaming. In the first six months of legal casino gaming in Colorado, the State received in excess of \$6 million in revenue from gaming operations. There is no doubt that casino gaming is big business, and has the capability of generating substantial revenues, and of providing significant private sector employment. Of total employment in Nevada, 26% is directly related to the casino gaming industry in one way or another.

This revenue is not without cost, both monetary and social. Estimates of New Jersey regulatory costs for 1,000 regulatory employees are approximately \$60 million per year. For Nevada, with approximately 400 regulatory employees, the approximate cost is \$22 million per year. The difference between New Jersey and Nevada lies in their philosophical approach to regulation - Nevada directs most of its efforts to pre-license investigation, while New Jersey spends most of its efforts in post-license undercover investigation and regulation.

There is a social cost as well. Significant negative impact has resulted to the City of Atlantic City, New Jersey, as a result of the implementation of casino gaming. While real property values on the Boardwalk have increased, property values in other areas of the City have decreased. There has been some increase in crime, and there has been a significant displacement of the local population. Some critics point out that Atlantic City has lost some of its previous attraction as a tourist center as a result of Casino gaming, and that family tourism has fallen.

While there are clearly negative social impacts, overall the advent of gaming in both New Jersey, and in Colorado, is looked on by the government as a good thing. It has provided significant revenues which can be used for many positive purposes (in New Jersey, licensees are required to invest 1.25% of gross gaming revenues in New Jersey Redevelopment Authority Bonds, which funds are then used for infrastructure development, and community redevelopment), including health care and education. In California, the lottery is required to contribute not less than 34% of gross revenues directly into the State education budget.

While all participants were in general agreement that gaming can be a positive enterprise in their jurisdictions, they were also in total agreement that casino gaming provides tremendous challenges, both in terms of social impacts, and in terms of potential criminal influence. It can be generally assumed that both New Jersey and Nevada spend well in excess of 50% of their regulatory costs in preventing, detecting and eliminating criminal influence in casino gaming in their jurisdictions.

Primary aspects of criminal involvement include money laundering as well as cheating. Money laundering, especially by persons or groups involved in drugs and prostitution, is one of the most serious concerns expressed by many of the participants in the Workshop. Nevada spends most of its time in pre-licensing investigations trying to determine the source of all funds to be used by potential licensees in establishing their business. Nonetheless, those states with casino gaming, especially Nevada, which has over 60 years of experience, believe they have virtually eliminated organized criminal involvement in their gaming industries. They are all of the opinion, however, that eternal vigilance is necessary in order to keep their industry free from such influences.

All participants in the Workshop were in agreement on one thing - in order to be successful in eliminating organized criminal involvement in local gaming, it was necessary to have a regulatory structure in place **before** permitting development of a casino gaming operation, and to fully investigate the individuals involved in the development. Nevada goes so far as to require the license applicant to pay for Nevada's investigation - at times costing up to \$1 million for an investigation - which payments are non-refundable even if the application is denied.

Neither is casino gaming a sure thing. Information was provided at the Workshop that indicated that shipboard casino gaming had failed on at least two gaming vessels located on the Mississippi River. The reason for the failure, at least according to the operators, was restrictions placed by the regulatory agencies involved on the maximum allowable bet which could be placed. Nonetheless, in times of economic hardship, or if regulation of the industry is too invasive, failure of casino operations is not unheard of. In Nevada, the Gaming Commission is very concerned with the amount of capital available for gaming operations. It demands that an operator maintain reserves sufficient to cover large losses. While most gaming operations rely on losses by

patrons, large losses to gamblers have closed casinos in the past.

### III. Gaming in Chuuk State

#### A. Regulation and Pre-Licensing Investigation

It is clear that Chuuk State must establish a regulatory structure prior to permitting construction to commence on the proposed hotel and casino. To do otherwise would be to invite disaster. It was the consensus of all participants in the Reno Workshop that if organized criminal elements got a foothold in a jurisdiction just beginning gaming, that it would be virtually impossible, and at the least prohibitively expensive both monetarily and socially, to eliminate the influence. This is even more the case in Chuuk, which seems to be contemplating only one casino operation. If that operation were to involve criminal elements, elimination of the criminal element would probably close the casino, putting many people out of work, and resulting in great social displacement. The way to prevent this is to have a statutory and regulatory structure in place.

A significant part of the regulation must be pre-license investigation. Nevada requires any license applicant to submit each key employee to both personal and financial background checks, and to pay for the cost of those investigations. Using Japan as an example, the Chief of the Investigations Division of the Nevada Gaming Control Board described the difficulties inherent in such investigations. When ten years of financial records for one applicant were requested, the response from financial institutions in Japan was that such information was privileged, and would not be released. The response of the Nevada Gaming Control Board was that no license would be issued without that information being provided. Chuuk State must be as firm in this demand as is Nevada.

Many participants pointed out that the Mafia and the Yakuza are not the only major crime organizations in the world. In China, groups known as triads are active in heroin production, and money from those activities must be laundered somehow. A favorite mechanism for money laundering is to turn it through a legitimate business. In the case of a casino, the operator brings in gamblers, who gamble with illegal money. The money is "washed" through the legitimate business, with a portion going to the local taxing authorities, and the rest, having been "cleaned," goes back to organized crime.

This is not to imply that I believe organized crime is involved in the attempt to establish casino gaming in Chuuk State. To the contrary. I believe, until proven otherwise, that all humans act in good faith, and for proper reasons. Nonetheless, to

ignore the possibility of criminal activity, and to prepare in advance to prevent it, is to invite disaster.

At a minimum, the State of Nevada requires the following from any applicant for a license:

- 1) An application listing all key personnel (investors, managers, floor personnel, security, etc.);
- 2) A personal history for each such person which is approximately 10-12 pages in length, and covers every aspect of that individual, including place of birth, education, employment history, etc;
- 3) A financial history for each such person, including copies of all bank statements, cancelled checks, contracts, partnership and corporation documents, and any other evidence of financial transactions by each individual for a period of at least 10 years preceding the application;
- 4) Fingerprints;
- 5) An affidavit of full disclosure, stating under penalty of perjury that no information was intentionally or inadvertently left out - proof that information was left out is grounds for denial of the license;
- 6) An authorization for release of financial and personal information - if this authorization is not provided, the license application is denied;
- 7) A release of claims arising out of the investigation - the applicant agrees that he will not sue the investigators or the State even if his reputation is injured or destroyed as a result of disclosure of information obtained in the investigation;
- 8) All business agreements, present and past, involving any key personnel, including business agreements relating to the gaming activities;
- 9) A complete set of blueprints for the proposed development, including plans and specifications, engineering and architectural drawings for the hotel and casino being proposed by the applicant;
- 10) A statement of the capitalization of the enterprise - how much money and the source thereof will be dedicated to casino operations and loss reserves - this amount can be controlled by Nevada, which has the sole authority to set minimum loss reserve limits; and
- 11) Projection of anticipated revenues in the first month, first quarter, first six months and first year of operation.

These are the minimum items which must be provided to Nevada by any applicant. Without this information, Nevada will not even proceed with its investigation.

Nevada requires a \$500 deposit with the application. Before commencing its investigation, it estimates the cost of the pre-license investigation based upon the size of the proposed operation. It then sends a bill to the applicant, who must pay the estimated cost in advance before the investigation begins. If the investigation costs

more than was originally anticipated, the applicant must make another advance payment before the investigation continues. The total cost of the investigation, including personnel salaries, travel, expenses, etc. is paid by the applicant. If, after paying these sums, the application is denied, no money is refundable. Anticipated cost for an investigation of an operation the size of the proposed hotel and casino in Polle, if conducted by Nevada investigators, would be between \$50,000 and \$500,000, depending upon the information discovered during the investigation.

Without going into the details of the Nevada statutory and regulatory structure, suffice it to say that it is approximately 1.5" thick. It is this regulation of the industry that has permitted Nevada to be able to say that it has eliminated organized crime as an element within its gaming industry. It was not easy. According to the Chairman of the Nevada Gaming Commission, it took over 30 years to eliminate organized crime from gambling in Nevada.

Nevada has its own currency controls, under an agreement with the United States government. No other state has this arrangement. The movement of large amounts of cash through the casino is a favorite way to launder money. Regulation and enforcement of the regulations is the only way to control money laundering. It must become so prohibitively expensive, in terms of cost and punishment, to launder money, that the temptation is eliminated. All gaming venues in the US believe, and probably rightly so, that they have controlled or eliminated major money laundering operations in their casinos. It is possible, but it requires great effort.

Establishment of a regulatory structure, capable of continuous monitoring of casino operations, with the ability to recognize and prevent criminal influences, including money laundering through large currency transactions, requires the training and staffing of a large group of investigators and regulators. Clearly, Chuuk would not need a staff the size of Nevada, with over 400 regulators. However, it would require a staff of not less than 10 highly trained investigators, some of which would have to work undercover. One of the functions of the Nevada Gaming Control Board is to oversee gaming activity inside the casino, in order to prevent the casino from cheating the customers.

This presents a practical problem for Chuuk State. According to the conditions imposed on the development permit issued by the FSM, Micronesian nationals would not be permitted to gamble in the casino. If that were the case, Chuuk State would be forced to hire foreign nationals to conduct internal casino investigations and monitoring, because Micronesians would be forbidden to do so, or if permitted, would be the only Micronesians present, and that would defeat the purpose of undercover investigation and regulation.

These are only some of the issues presented in the area of regulation and

pre-licensing investigation. The important point is that the issues must be discussed, and the problems addressed, through a complete statutory and regulatory scheme, before the issuance of a permit to build and operate a casino. These problems are very real, and occupy the major portion of the activities of the Gaming Control Boards of every State operating unrestricted gaming casinos in the United States. All participants in the Workshop agreed that these problems must be addressed at the beginning, not after casinos went into operation. And again, they were all of one mind - it is necessary to go slow.

#### B. Environmental and Social Impacts

The areas of greatest potential harm to Chuuk State, and therefore the areas which should be of greatest concern to the leaders of Chuuk State, are the areas of environmental and social impacts. The proposed site for the casino and hotel is a relatively isolated island municipality with not more than 2,000 inhabitants who up to now have had little daily interaction with late 20th century technology. The hotel and casino will literally light up the night sky. According to preliminary discussions which have been related to me, a roadway will have to be constructed which will virtually bisect the island, in order to connect the proposed hotel with the proposed golf course. Some people have told me that a proposal has been discussed to build a new runway in Polle, at least as large as the runway in Weno. All of these development concepts have one thing in common - development that large will have substantial impacts on the daily life of the inhabitants of Polle, and of surrounding municipalities, such as Tol, Patta, Romalum, Wonei and Fanapanges.

These need not necessarily be negative impacts. Some would argue, and I would not disagree, that development on this scale has the potential of making significant improvements in the standard of living of the inhabitants of Faichuk. There is no doubt that the development would mean jobs for Chuukese citizens, and would bring new products and goods to Faichuk, which would improve the daily lives of the people. Properly managed, the development could increase the standard of living for everyone.

In order to maximize the positive aspects of this development, care must again be taken **before** commencement of the project to make sure that the negative aspects are limited or eliminated. There are a substantial number of problems, and issues, which must be addressed before construction commences.

First, extreme care must be taken to make sure that construction does not have significant negative impact on the surrounding environment. The people of Faichuk, and indeed all of the people of Chuuk State, to a great extent rely on the reefs for their lives. A great number of people rely to a great extent on daily fishing for their food. Unregulated construction, with runoff into the lagoon, could lead to extensive siltation of the reef areas around Polle and Patta, destroying the reefs, and the fish that rely on the reefs for their sustenance. This problem has already occurred in Guam, with

the development that has taken place there, and is a real concern in all island communities where fishing comprises the major local industry and source of food.

Secondly, the hotel/casino and golf course will have a significant impact on fresh water supplies in Polle. While residents rely primarily on catchment systems for drinking and cooking water, which provide ample supplies in the rainy season, recent drought conditions have pointed out a substantial need for well water during dry seasons. The hotel, serving up to 800 people per day, will undoubtedly need to tap into the ground water of Polle, and in dry seasons ground water supplies for the people of Polle could be severely limited by hotel/casino needs. The same is true for the proposed golf course. I believe I read somewhere that a golf course needs up to 700,000 gallons of fresh water for irrigation, even where rain provides watering for six months out of the year. The people of Guam are daily expressing their concern about the effect on the water table in Guam caused by the development of numerous golf courses on that island. There is the additional concern that fertilizers used on the golf course may be putting toxic substances in the ground water, through runoff during rainy periods. These concerns are real, and are magnified in the less expansive surroundings of Polle.

A third environmental problem is the disposal of human and solid waste. The daily population of Polle will be increased by at least half as a result of the operation of the hotel/casino. Unless controlled and provided for, the additional untreated human waste will have disastrous impacts on the local environment. The additional solid waste caused by the daily needs of 800 or more visitors will also create disposal problems. Solid waste will either have to be dumped on Polle, using already limited land resources, or it will have to be removed to another site, with attendant costs.

A fourth problem, not entirely environmental, is the problem of handling the increased tourism drawn by the hotel/casino/golf course complex. At present, the Lagoon has not more than five hotel facilities, with approximately 100 to 150 rooms, maximum. Assuming the hotel in Polle maintains virtually 100% occupancy due to charter trips from the Orient, Chuuk State will have to develop significant additional hotel occupancy capacity in order to handle the influx of tourists wishing to take advantage of the gaming opportunities created by the operation of the casino. It would not be far fetched to assume that another 500 rooms would be necessary to handle increased tourism. Without that, competition for rooms created by tourists wishing to gamble would have a severe impact on the local scuba diving industry, which at present employs substantial numbers of Chuukese citizens.

A fifth problem is the need to develop mass transit to and from Faichuk for tourists and employees of the hotel/casino who come through, or reside in, Weno. Even if an airport is constructed on Polle, transportation to the population center is necessary. This transportation system will have to be able to traverse shallow coral reefs, without causing damage. This may require the dredging of ship channels. A recent example is all that is necessary to demonstrate the problem. When the Pacific Association of Travel



Agents went to Patta for the ceremony in July, the Thorfinn, transporting over thirty dignitaries, ran aground in shallow water near Romalum. Clearly, this embarrassment could not be a regular occurrence, or tourism would definitely suffer. While this is a problem, there is a positive side to this issue. There is now a definite need for passenger ferry systems in the Chuuk Lagoon, a system which would provide low cost transportation alternatives for residents of Faichuk and the Southern Namoneas who work in Weno. The development would hasten the development of such ferry systems, benefitting all residents of the Lagoon.

A sixth environmental problem provides a good transition into a discussion of the social impacts of casino development in Polle. That is the electrification of Polle. Leaders of Chuuk should remember that the only island wide electrification in Chuuk is in Weno Municipality. The people of Polle, and indeed of all of Faichuk, have only minimal generator power, used on an isolated and individual basis. The hotel/casino will change all of that.

A casino operates on a twenty four hour day. It never closes. A substantial portion of its revenues derive from gamblers who don't even begin to gamble until after dinner. Some love to stay at a table for days at a time, when they are winning, or when they are losing. No casino can attract "high rollers" if it closes its doors at 11:00 PM and doesn't reopen them until 11:00 AM. It must stay up all night, and the lights must shine all night. Not only that, but the generator that powers all this incandescence must run all night, and it will make noise all night. There will without doubt be a significant impact on the daily routines of a great number of residents of Polle, which could be calculated as those residents who live within a mile of the casino or the generator at a minimum. In addition, it must be asked whether the casino should even be permitted if it does not provide as a condition of operation for the electrification of all of Polle. Should this island of light and sound be allowed if light is not brought to the entire island of Polle?

The lights of the casino attract more than moths and insects. They will attract the children of Polle and of Chuuk. It cannot be stopped. Even if it were possible to keep those under the age of 15 away, those over 15 will do pretty much as they please. They are teenagers, and are testing the limits of their lives. Even if they cannot get inside, they will congregate everywhere around the casino. They probably must be provided access to the hotel, and must be permitted to enjoy the benefits of the restaurants and video arcades which are a part of any casino hotel (The Circus Circus Hotel in Reno, Nevada, has one of the largest children's video game arcade's in the world, to entertain the children while the parents are gambling).

Money is a powerful enticement. It can be assumed that employees of the hotel and casino will be paid about \$2 per hour, about \$16 - \$20 per day. In all probability Chuukese will be hired to fill jobs such as waitress, waiter, bartender, cocktail waitress, desk clerk, janitor and maid. It is reasonable to assume that the casino

operators will insist that they have freedom to hire whomever they choose to handle the money. Dealers, pit bosses, croupiers, cashiers, money changers and money counters, and all casino and hotel managers, virtually all will be foreign labor, brought in by the operators. They will claim that there are no Chuukese with the necessary skills in these positions, and they would be right. Even though \$20 per day is a high salary in Chuuk today, it is still only \$20. The leaders should carefully consider the temptation presented when a gambler offers a cocktail waitress or a desk clerk or a maid \$50 or \$100 for an hour or two of her time.

Possibly the greatest social impact resulting from casino gaming is the attendant, and very real, problems of drug abuse and prostitution. No legitimate casino operator will ever tell you that these problems do not exist in their operations. The problems exist everywhere in the world, and are merely more prevalent in and around casino operations. In Nevada, the State has gone so far as to license prostitution in order to reduce the health risks associated with it.

And irrespective of the moral and ethical problems inherent in prostitution, it is the health problems that should be uppermost in the minds of Chuuk's leaders. I have not heard that there is a high incidence of what are politely called "socially transmitted diseases" in Chuuk at the present time. If sexual barriers break down, and if large numbers of foreign tourists begin arriving in Chuuk, there will be, without any doubt, an increase in the number of sexually transmitted diseases in Chuuk. And it will become prevalent in the 16-24 age group, the group most at risk.

At present, Chuuk and Micronesia are relatively immune from the most threatening single killer known to humans - the HIV virus, the cause of AIDS. It is anticipated that from 10 million to 40 million humans will contract AIDS and die by the end of the 20th century. Approximately one-third of all humans in Kenya carry the AIDS virus. It is a disease which attacks indiscriminately, male and female, heterosexual and otherwise, black, white, red and yellow. The carrier cannot be detected visually until at least five years after contracting the disease. It has no cure. It can be assumed that the AIDS virus will in fact be carried to Chuuk by foreign gamblers. What cannot necessarily be assumed is that the virus will be transmitted to the Chuukese people. It can only be transmitted in two known ways - through sexual contact and through intravenous drug use.

There are, therefore, very real social impacts which must be considered and discussed before deciding to permit casino gambling in Chuuk State. That is not to say that these impacts should prevent casino gaming, just that they should be considered. It would be irresponsible to permit casino gaming, with all the collateral aspects that gaming brings with it, without seriously considering these problems, and at least attempting to address them.

### C. Cultural and Religious Impacts

I am compelled to refrain from discussing the cultural aspects of casino gaming in Chuuk, because in many respects I am confused by the culture here, and don't fully understand it. I would feel more comfortable if the Chuukese members of the Office of Legal Counsel would address this very personal societal issue.

Neither do I feel comfortable in discussing the religious impacts of a casino development in Chuuk State. I am a lawyer, and my religious beliefs have no place in this discussion. There will be ample discussion of the impact of this development on religion in Chuuk, and of the impact of religion in Chuuk on this development, in the Churches and the homes of the Chuukese people. That is as it should be. This report and analysis does not seek to enter into that discussion.

### IV. Conclusions and Recommendations

It is clear to me that successful, clean, well run casino operations are not only possible in Chuuk, but could provide great financial benefits to the people, which could then be used directly to improve the quality of life for all Chuukese people. The State of Nevada perhaps leads the world in showing that wholesome communities, strong families, excellent public services and education can go hand in hand with, and be in large part financed by, casino gaming in these very communities.

Organized crime is not a serious problem in Nevada. Neither is it a serious problem in New Jersey, or Colorado. While drugs and prostitution are problems, they are no greater in Nevada than in any other State, and they are probably less prevalent there than in some states. There is a problem with sexually transmitted diseases in Nevada, but not as great as in other metropolitan states, and by legalizing prostitution (something that clearly cannot be done in Chuuk for many social and cultural reasons), Nevada has obtained greater control over the health problems related to that industry than other states where prostitution is still illegal.

There is no doubt that a 400 room hotel/casino will be a financial benefit to Chuuk. Assuming room rates of \$50 per night (casino hotels charge much less for the rooms than other hotels, making their profit on the gambling), and an occupancy rate of 85% (the same as Nevada), the hotel could expect to gross \$6,205,000 per year in room rates alone. Using calculations made on 198 locations in Nevada with gross revenues in excess of \$1 million, room charges account for 13% of gross revenues in a hotel/casino. Total revenues, of which rooms would amount to 13%, would be calculated at approximately \$47 million dollars per year. Based upon the present FSM gross revenues tax of 2%, and a return of 50% of those taxes to Chuuk State, Chuuk could expect to receive up to \$470,000 per year in direct tax revenue. In addition to that sum, the State or the Municipality of Polle, or both, will probably institute licensing fees. In

New Jersey, for example, they charge a minimum of \$100,000 per year per license, \$500 per year per slot machine or video poker machine, work permit taxes, Junket Operator taxes, alcoholic beverage taxes, Service Industry taxes and Casino school taxes. In addition they charge the casinos with the entire cost of the regulatory system. Some of these taxes already exist in Chuuk or in the FSM, and revenues to Chuuk and Polle from all sources, excluding land leases, could approach \$3-5 million per year. The casino and hotel would provide many private sector jobs, which would result in additional financial benefit to Chuuk State through salaries and benefits, and payroll taxes. The financial benefit alone makes careful consideration of this idea important.

Clearly, there are negative aspects to this development proposal, just as there are highly attractive positive aspects. Environmental damage, social displacement, crime and morally reprehensible activities are all possible results of unregulated and poorly considered development of this type. While it would be naive to believe that all of these problems could be prevented, it would not be naive to believe that many of the problems could be prevented, and that the remaining problems could be limited in their impact. It should be the goal of the Chuuk State leadership to prepare in advance for the problems, and to implement mitigating regulations and statutes before permitting the development. It is in this spirit that I offer the following recommendations.

1. Enact a complete statutory and regulatory scheme, addressing all of the potential problem areas, including a licensing structure which requires extensive pre-license investigation of applicants in order to eliminate organized crime from the operation before, not after it begins.

2. Require a complete set of blueprints, including architectural and engineering plans and specifications, for both the hotel/casino and the golf course before permitting construction to commence. The architectural drawings should reflect a hotel and casino that blend with the environment to the greatest possible extent. Thus, a 20 story hotel should be rejected, while a three to five story hotel, blending with the natural surroundings, would probably be more acceptable. The developer should be required to comply with these design limitations even if it would require the acquisition through lease of substantially more land than would be required if a ten or twenty story hotel were built.

3. Require the developer to conduct an environmental impact study, to be conducted by an internationally recognized environmental consulting group, to identify potential environmental problems and to propose mitigation for those problems. Primary concerns should be the impact of construction and development on reefs and fisheries, the impact of solid and human waste disposal on the environment, the impact of power generation and the noise associated therewith on the environment and the people, and the impact of the development on water supplies. This list is not exhaustive, by any means.

4. Pass legislation requiring the developer to provide for human waste disposal according to accepted industry standards, not only for the hotel/casino, but for the entire island of Polle. The same legislation should provide for the electrification of all of Polle, the development of a potable water system for all of Polle, and the construction of at least one 1 million gallon water storage tank to provide water for all of the people of Polle during times of drought and water crisis.

5. Require the FSM government to alter the tax structure, or to impose a gambling revenues tax, at the same approximate levels of Nevada and New Jersey (6% - 9% of gross revenues, and to provide that at least 75% of those taxes be returned to Chuuk State. This is only reasonable, since Chuuk State will suffer the impacts of this development, and will require additional funds to mitigate those impacts.

6. Require the casino operator to hire and train Chuukese in casino operations, including money handling jobs, even if it requires identifying talented Chuukese people and sending them to college or training schools, so that Chuukese can have a reasonable expectation of holding skilled jobs as well as unskilled, low paying jobs.

These are merely recommendations intended to avoid some of the more glaring problems relating to the development of a hotel/casino in Polle. Of course the list does not cover all potential problem areas. They are beginning points for discussion. One would hope that the discussion would be frank and serious, and without rancor. The issues are important to the people of Polle, and to all the people of Chuuk. They deserve serious consideration.