

**GUAM MASTER PLAN
MILITARY FACTOR**

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THE MILITARY

Guam's strategic location in the Western Pacific underwrites the island's continuing importance as a major defense and communications center. Defense expenditures, including construction, exceeded \$163 million in Fiscal Year 1970. This is a 13.9 percent increase over the 1969 figure of \$143 million and over double the 1960 total of \$66 million.

Military expenditure on Guam make an important contribution to island income. In Fiscal Year 1970 military payrolls were \$45 million, civilian employee payrolls were \$49 million, and \$26 million was spent on construction and local purchases.

Civilian employment on military reservations exceeded 7,200 at the end of Fiscal Year 1970. About 2 of every 3 workers were hired locally.

In addition to military expenditures, other federal agencies, such as the Federal Aviation Administration, the National Aeronautics and Space Administration, and the Post Office, employed over 400 people and spent over \$5 million in Fiscal Year 1970.

The outlook for future years indicates continuing federal expenditures on Guam. Military withdrawals from Southeast Asia, coupled with plans for new ammunition and ship repair facilities, plus additional military housing, point to continued spending on this strategically situated island.

The dominant role of the military in Guam's development has had a number of facets. Most important is the direct employment of local residents and the direct and indirect employment of off-islanders whose consumption expenditures support secondary local

service and trade activities in the private sector. Purchases by the military of goods and services from local vendors are another but less significant source of private sector business. Various other benefits to the community and economy are attributable to the military presence. Military on-the-job training, both formal and informal, contributes to the development of labor skills. Military and off-island civil service dependents have been a welcome source of skilled and semi-skilled labor, especially in school teaching. Generous assistance has always been provided by the armed forces in times of need or sudden emergency. Expensive basic facilities such as sea and airports, power, water, telephone, and even medical services, originally provided by the military and shared with the local community, have provided external economies in the further extension of these services by local government as it assumed responsibility for them in the civilian community.

These invaluable contributions provide grounds for confidence that the military will continue to assist Guam's development whenever it can do so without interference to its own missions. In this connection, it should be pointed out that Guam's economic development will yield benefits to the military also, by making certain goods and services increasingly available, thereby relieving the military of the need to provide them for itself (often at considerable cost). Specific areas of cooperation for the future are as follows:

Whatever the future course of total military employment,

efforts should be continued to increase the proportion of local-hire personnel at all job levels for which qualified applicants can be found or developed. Like private employers, the armed forces have been affected by the shortage of local labor and have had varying degrees of success with the workers available. As the local labor supply increases in quantity and skills, these problems will gradually disappear. The military can speed up the process not only by hiring qualified local workers but by actively helping them to qualify through intensified apprentice and other training programs as more workers become available. This is not to deny the value of past and present training programs nor to minimize the difficulties with which they have had to cope. It simply expresses the hope that the armed forces will increase their own programs to match and integrate them with the intensified training efforts recommended for the civilian community. Close liaison with appropriate Government of Guam agencies will be needed.

It might be expected that the availability of both the military market and the civilian market would make possible a wider assortment of business activities by permitting functions that neither market by itself could support. This is not noticeably the case. The business community has voiced its opinion that it cannot compete with goods brought in by Military Sea Transportation Service and sold for official purposes or in military stores at prices that reflect neither the cost of transportation nor various overhead costs that must be borne by civilian merchants.

They also deplore the use of military base exchanges and commissaries by unauthorized civilians. The Guam Department of Agriculture notes that the military will not guarantee purchases of local farm products at prices acceptable to local farmers. Military supply and procurement personnel in turn point out that they are more than willing to purchase additional goods and services from local vendors and even try to seek out such opportunities. They grant that they are bound in some instances by procurement regulations which permit them to pay little, if any, more for locally purchased goods than the subsidized (essentially f.o.b. West Coast) prices that are available to them. But they insist that there are opportunities for local purchase where these difficulties do not exist--mainly in business, personal and repair services and, in some cases, in agricultural products--and where the local supply side is unresponsive. It seems that both sets of claims, unfortunately, are essentially accurate; it is a situation where differing interests are working at cross purposes. Using the test of potential contribution to the development of Guam's basic industry, however, certain conclusions can be reached.

As to local purchases by the military, it is suggested that purchasing officers be required to add a transportation cost mark-up at least equivalent to the Military Sea Transportation Service unit cost in determining the price that can be paid locally for each item, and to buy locally whenever the item is available at or below the cost-plus-transportation figure. In the important case of agricultural products, local output and quality uncertain-

ties together with the long delivery time from off-island sources do create difficulties in assuring dependable supplies; but these can be minimized by contracting for quantities well within the capacity to deliver and seeing to it that they are delivered when needed, even if the local civilian market price at that time is higher than the contract price. This requires the presence of responsible, efficient, commercial-size farm operations.

But more can be done by the civilian community to utilize the military market potential, especially in the service area, the main need being for local entrepreneurs who want to exploit it. Although some have on occasion aggressively pursued and obtained military business, local businessmen generally have shown little initiative in dealing with the military and must often be induced to offer desired items at required standards even when price is not a major issue. There is evidence that, apart from entrepreneurship, the unavailability of qualified labor has been a major handicap to local vendors. As the labor supply improves, it will be up to the private business community to work closely with military supply agencies to seek out and supply the best market possibilities. Both the Chamber of Commerce and the Guam Economic Development Authority (GEDA) should participate in this effort. Greater price competition in local stores, together with the development of additional recreational and tourist facilities, will also help to bring military people off the bases to make larger expenditures in the civilian economy.

More than half the land in Guam is in public ownership, both

Federal and Territorial, but even here is a degree of confusion about the amount, location and status of land in each jurisdiction. Most of the Government of Guam land originally acquired from the Department of the Interior is subject to reversionary limitations which restrict its use or disposition by the Government of Guam and require specific release by Interior for other uses; these releases are reported by the Guam Department of Land Management to be subject to delays in processing and to require reprocessing when a change is made in the proposed use.

Land necessary for economic development purposes will frequently be available, however, only on military land, on Government of Guam land subject to reversionary limitations, or on private land obtained through exchanging an equivalent amount of Government of Guam or military land for it. It will be increasingly necessary for the military to examine carefully its need for various tracts of land and be prepared to make surplus lands readily available for economic development purposes at reasonable prices. The Department of the Interior, similarly, should seek to satisfy the legitimate needs of the Government of Guam to use its land for economic development purposes without submitting each proposed transaction for approval in a Federal bureau more than 8,000 miles away--particularly when negotiations involve third parties on the scene in Guam. Lack of an adequate general land survey should not be permitted to stand in the way of a solution because it may be many years before a survey can be completed and all land accurately registered. Modification

of the reversionary limitation should be made to allow the Government of Guam greater flexibility in using and disposing of land to which it applies, even if only for limited areas identified as having probable direct or indirect significance for economic development uses.

The Federal government is represented by two important agencies in this area of the Pacific. The Department of Defense which is now expending an estimated \$160 to \$170 million in Guam alone and the Department of the Interior which has scheduled an expenditure of over \$50 million annually in the Trust Territory.

Much of the expenditures are funded either through the two Departments in Washington, although the tax structure of the Guamanian economy is capable of adding the sums of \$5 million annually to each. This latter amount can be expected to increase in the next five years.

The strategic nature of Guam and certain islands of the Trust has long been recognized. Recent efforts by national groups in the Philippines, Japan and Okinawa has been directed to forcing the defense forces of the United States out of these countries.

The build up in Guam in the last two years is apparent in the added installations and military housing. Approval of a \$120 million ammunition pier and magazine for the Navy has recently been revealed. Appropriation of another \$16 million for Navy housing was just announced.

Increased expenditures for fuel systems, new barracks, and

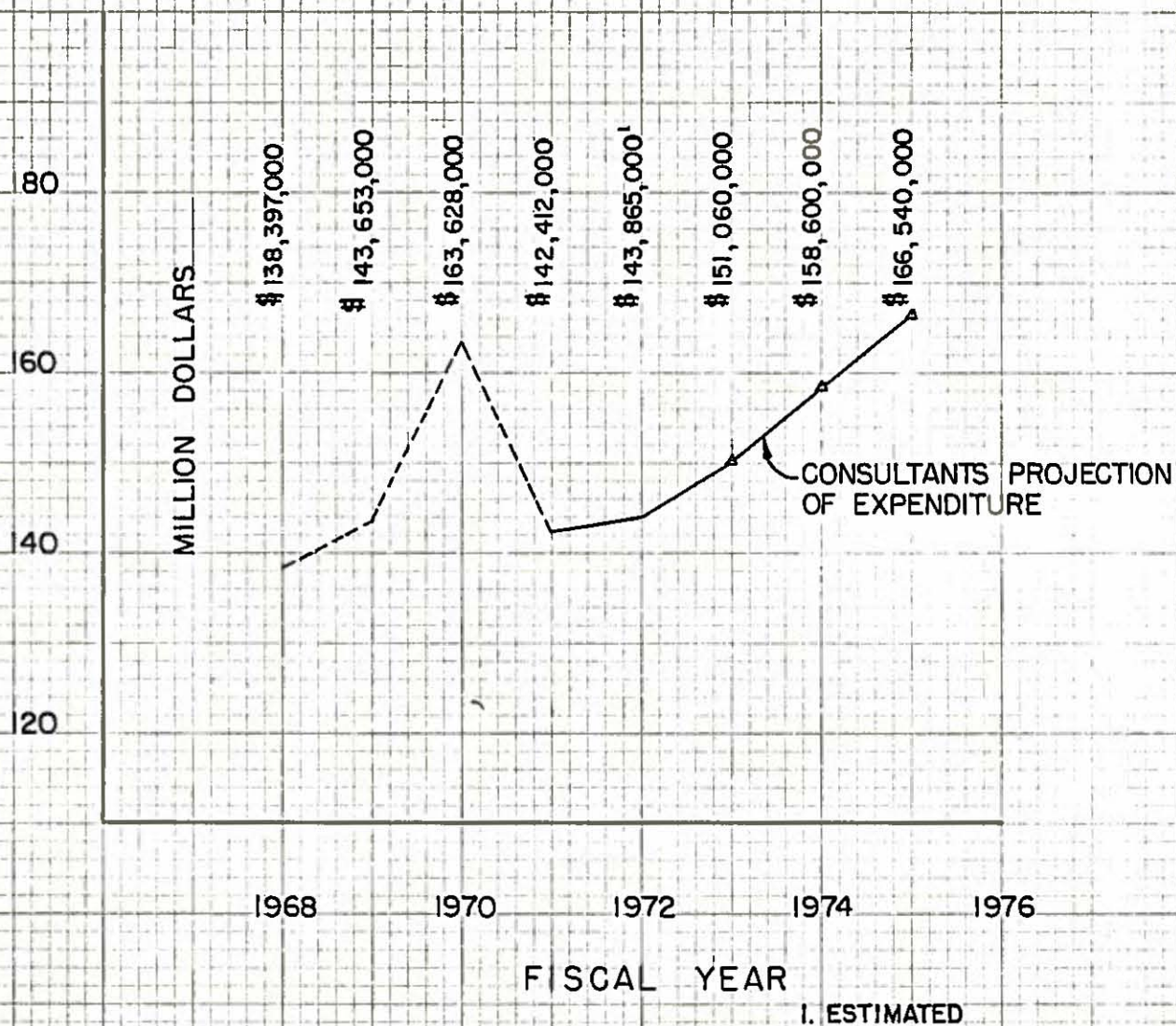
improvements to existing structures at the Naval Center, Anderson Airforce Base and the Naval Communications Station are indicative of the increased attention being given to the Island of Guam.

After a series of discussions with officials from the Department of the Navy and the Department of Interior we have come to the conclusion that they are not going to expose a "Master Plan" for this area of the Pacific, however, there are some indicators to draw some conclusion on expenditure for Guam.

It is highly probable that if there is a military pull back in Japan and the Philippines, Guam will be a beneficiary. We should further note that the pull back in Okinawa should enhance some benefits to Guam in military expenditures.

In a very short time the Island of Guam could possibly build up to over 150,000 military personnel over and above the approximate 20,000 now stationed there.

Based upon the United States Department of Defense expenditures in Guam for the years 1968, 1969 and 1970, we have projected an approximate expenditure for the next five years on the following chart.



SOURCE: FY 68 TO FY 72, ANNUAL REPORT OF
GUAM'S REPRESENTATIVE IN WASHINGTON.

DEPARTMENT OF DEFENSE
YEARLY EXPENDITURES

GOVERNMENT

	Local			Military		Other Federal Agencies		
As of June 30	Operating Revenue	Operating Expenditure (\$ Millions)	Capital Improvement	Employment	Expenditure (\$ Millions)	Employment ^{1/}	Expenditure (\$ Millions)	Employment
1960	16.2	14.2	2.4	3502	61	5590	2.8	306
1961	14.3	15.5	1.7	3160	59	6517	3.4	365
1962	13.5	14.6	1.7	3288	53	5886	3.3	311
1963	15.2	17.2	1.1	3561	53	6032	2.0	219
1964	17.3	17.1	2.5	3997	58	5777	3.9	269
1965	18.5	18.9	1.7	4634	61	6673	3.5	253
1966	20.8	20.5	1.8	4818	76	7692	4.6	342
1967	28.6	22.7	3.9	5203	78	8001	4.3	379
1968	37.1	33.0	5.9	5492	87	8511	4.7	400
1969	47.2	37.4	5.8	6524	95	8243	5.0	420
1970	57.7	48.9	8.5	6980	100	7269	N.A.	N.A.

^{1/} Civilian and Contract hire

Source: Financial Statement & Auditors Report.
Department of Revenue & Taxation.

U.S. DEPARTMENT OF DEFENSE
(1971 Report)

Description of Program or Activity and Basic Statutory Authority	FY 1970 (Actual)	Federal Funds Allocated or Expended FY 1971 (Estimated)	FY 1972 (Proposed)
<u>U.S. DEPARTMENT OF DEFENSE</u>			
Military Personnel Pay	56,045,000	57,570,000	54,104,000
Civilian Pay	40,394,000	34,573,000	36,572,000
Military Construction	20,265,000	12,986,000	22,670,000
Other	46,903,000	37,261,000	30,489,000
<u>Subtotal - All Other Instal-</u> <u>lations</u>	163,607,000	142,390,000	143,835,000
<u>Office of Civil Defense</u>			
Operation and Maintenance	21,000	22,000	30,000
<u>Total - Department of Defense</u>	163,628,000	142,412,000	143,865,000

Source: Annual Report of Guam's Representative in Washington to the People of Guam and the Guam Legislature, June 1971.

U.S. DEPARTMENT OF DEFENSE
(1970 Report)

Description of Program or Activity and Basic Statutory Authority	FY 1969 (Actual)	Federal Funds Allocated or Expended FY 1970 (Estimated)	FY 1971 (Proposed)
<u>U. S. DEPARTMENT OF DEFENSE</u>			
Military Personnel Pay	55,812,000	56,045,000	60,413,000
Civilian Pay	38,304,000	40,394,000	39,494,000
Military Construction	12,656,000	20,265,000	12,941,000
Other	36,857,000	46,903,000	47,759,000
<u>Subtotal - All Other Instal- lations</u>	143,629,000	163,607,000	160,607,000
<u>Office of Civil Defense</u>			
Operations and Maintenance	18,000	21,000	---
Shelter Surveys and Marking	6,000	---	---
<u>Total - Department of Defense</u>	143,653,000	163,628,000	160,607,000

Source: Annual Report of Guam's Representative in Washington to the People of Guam and the Guam Legislature, June 1970.

U.S. DEPARTMENT OF DEFENSE
(1969 Report)

Description of Program or Activity and Basic Statutory Authority	FY 1968 (Actual)	Federal Funds Allocated or Expended FY 1969 (Estimated)	FY 1970 (Proposed)
<u>U.S. DEPARTMENT OF DEFENSE</u>			
I. <u>Financial Assistance Program:</u>			
<u>Department of the Army - Office of Civil Defense</u>			
Personnel and Administrative Expenses under PL 81-920, The Civil Defense Act of 1950, as amended.	17,000	18,000	21,000
II. <u>Operating Expenditures - Salaries & Other Expenses:</u>			
<u>Office of Civil Defense</u>			
Shelter Surveys and Marking	43,000	6,000	---
<u>All Other Installations and Activities on Guam</u>			
Military Personnel Pay	54,999,000	55,812,000	56,045,000
Civilian Pay	35,603,000	38,304,000	40,394,000
Military Construction	7,568,000	12,656,000	20,265,000
Other	40,167,000	36,857,000	46,903,000
<u>Subtotal, All Other Installations.</u>	138,337,000	143,629,000	163,607,000
<u>Total - Department of Defense:</u>	138,397,000	143,653,000	163,628,000

Source: Annual Report of Guam's Representative in Washington to the People of Guam and the Guam Legislature, June 1969.