Government of Guam Briefing Papers for the U.S. Department of Interior

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BUREAU OF PLANNING
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TERRITORY OF GUAM
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U.S.A.

RICARDO J. BORDALLO
GOVERNOR

The Honorable James Joseph
Under Secretary, Department of
the Interior
Mr. Al Stern, The White House
The Honorable Ruth Van Cleve
Director, Office of Territorial
Affairs, Department of the
Interior

Hafa Adai:

The enclosed briefing papers were prepared in connection with your visit to Guam, Where America's Day Begins.

The topics discussed in the papers are not new. However, the Government of Guam considers these matters vital to the island's development and have taken this opportunity to present these subjects to your attention.

Sincerely yours,

RICARDO J. BORDALLO

Enclosure

PURCHASE OF THE
MEDICAL CENTER OF THE MARIANAS (MCM)

Pursuant to U.S. Public Law 95-134 and Guam Public Law 13-98, the Board of Trustees of the Guam Memorial Hospital Authority (GMHA) negotiated the enclosed contract for sale with the Board of Directors of the Medical Center of the Marianas (MCM).

The Contract was approved by the Governor, but P.L. 13-98, requires the ratification of the contract by the Legislature before it can be implemented.

On September 15, 1977, the Fourteenth Guam Legislature adopted the enclosed Resolution No. 187 supporting the purchase of the hospital. Unfortunately, the Federal Comptroller for Guam, Mr. Ben Fukatume, caused the Legislature to change their position by erroneously advising them that the $25 million could be put to better use by providing a grant to MCM and spending the remainder of the grant on other health care needs. During his visit, Congressman Philip Burton clarified the Congressional intent to be limited to the purchase of the MCM facility by the Government of Guam. It should be noted that because of the time factor and local legislative action, the actual cost of the facility has risen to approximately $35,000.000.

The Legislature has accepted the fact that the $25 million can only be used for the purchase of the MCM facility. In Section 1 of P.L. 14-91 the Legislature listed several provisions they would like to have added or amended in the present contract before it is ratified. Section 8 of the same Public Law directs GMHA to negotiate an interim lease of the MCM facility pending the ratification and the appropriation from Congress. This lease was negotiated and signed January 5, 1978. The GMHA is now negotiating with MCM to make the legislative mandated additions and amendments to the contract. These negotiations should be completed within a week; and the ratification is expected before the end of the month.

We would appreciate the Secretary of Interior's expeditious approval of the purchase of MCM, taking action to increase the Federal Authorization from $25,000,000 to $35,000,000, and pushing for rapid federal appropriation of $35,000,000 for the purchase of MCM. We request that the Department of Interior assist in getting the approval of the Secretary of Health, Education and Welfare, as required by law.

RELEASE OF APPROPRIATED FUNDS UNDER P.L. 95-26

Public Law 95-26 appropriated $15,000,000 authorized under Public Law 95-134 Title IV Sec 402 which authorized to be appropriated to the Secretary of the Interior for grants to the Government of Guam not to exceed $15,000,000 to compensate the Territory of Guam for unexpected revenue losses occasioned by the Tax Reduction Act of 1975 and the Tax Reform Act of 1976.

Immediate release to the Government of Guam is requested of subject $15,000,000 for operational expenses of the Government of Guam.

APPROPRIATION FOR OMNIBUS BILL

Title II, Section 201(a) of Public Law 95-134, authorized to be appropriated to the Secretary of the Interior, not to exceed $15,000,000 for a grant to the Government of Guam to assist in Typhoon rehabilitation, upgrading and construction of public facilities, and maintenance of essential services.

It is requested that the Department of Interior present to the Congress of the United States, at its earliest convenience, a request for a $15,000,000 appropriation to meet the requirements of Title II, Section 201(a) of Public Law 95-134.

The following projects, incorporating certain unfunded proposals submitted to you in January 1977, plus urgently needed related projects, are forwarded for your approval, to be utilized in certain instances as matching funds, authorized under Section 201(c) of Public Law 95-134.

	Amount
Education	
1. Existing school rehabilitation and construction	$ 3,000,000
Water Infrastructure	
2. Emergency generators	1,760,000
3. Tumon Relief Watersystem, Agana Hts. - Asan Link, and Sinifa	1,940,000
Sewer Infrastructure	
4. Inarajan Wastewater System (This project was removed from the Interior '79 budget request) (Matching Funds)	1,900,000
Highways	
5. Route 1--Camp Watkins to Agana (Matching Funds)	3,100,000
Economic Development	
6. Talofofo Soil Erosion (Matching Funds)	400,000
7. Matching Funds for EDA. Construction grants available at conclusion of feasibility studies underway for slaughterhouse, fumigation facility, shrimp hatchery and cannery.	500,000
8. Agana Small Boat Harbor	2,200,000
9. Plaza de Espana--Museum Restoration (Matching Funds)	200,000
	$15,000,000

The Governor of Guam would appreciate confirmation of your approval prior to submission to the Guam Legislature for a supportive resolution.

GUAM REHABILITATION FUND REPROGRAMMING

We have requested the reprogramming of certain unexpended balances of the Guam Rehabilitation Fund. Originally $5,474,683 was requested for reprogramming; which was modified to $2,291,560 because of the decision of the legislature to utilize a portion of the funds for the Agat Santa Rita High School.

Priority 1. The Library, under Phase 1 Construction using EDA funding can be completed with Phase 2 Rehabilitation funding for $900,000, including A & E costs. The completed Library would have 32,450 s.f. of floor space, adequate to serve Guam's projected population for the next 20 years. This is an urgently needed project which should be completed as soon as possible.

Priority 2. Because of the inavailability of adequate funding for the High School, the people of Guam would be better served by reconstructing the urgently needed Agat Junior High which can be accomplished within Rehabilitation funding available.

Priority 3. The Umatac Sewer Line is being reevaluated in the light of increasing labor costs, to permit satisfactory wastewater disposition by other means, resulting in decreased overall cost, such as a package plant to serve Umatac alone.

A Congressional Subcommittee requested the Department of Interior to study the proposed projects with regard to such matters as urgency, priority and sources of additional matching funds that will be needed as a result of the large increases in construction labor costs. The Department of Interior subsequently asked the Federal Comptroller to study the projects and make recommendations with regards to the above mentioned criteria.

We would appreciate the Department of Interior expediting action on the request upon receipt of the Federal Comptroller's report.

THE NEED FOR A NEW AGAT JUNIOR HIGH SCHOOL

When Typhoon Pamela raked Guam on May 21, 1976, not only were many of the island's public services disrupted, but also many of its facilities were devastated. One casualty of the typhoon was Agat Junior High School which was constructed almost twenty years ago.

Based on engineering estimates it will cost between 1.6 million dollars to 2.2 million dollars to bring the school within the limits of the Government of Guam Building Code requirements. The school requires major structural, mechanical, and electrical repairs to make it safe and usable again. Moreover, a gymnasium and cafeteria are necessary additions to the existing facility.

Agat is part of the Department of Education system of regional junior high schools. It serves the districts of Agat, Santa Rita, Piti, and Asan which includes Naval Station and Apra Heights Housing. As a result of Typhoon Pamela, it was necessary to house the Agat student body at Agueda Johnston Junior High in Ordot. The double sessions at Agueda Johnston were not satisfactory from an educational point of view. Educational activities were compromised in order to accommodate the two student bodies. Necessary programs such as physical education were limited.

The projected junior high school enrollment will reach close to 7,000 students in 1980, 13,000 in 1985, and 15,500 by 1990. Agat Junior High School will have to take its share of the projected increase in the student population. As military activities increase on Guam, the number of military and federal dependents will also increase. Agat Junior High being adjacent to primary military installations will undoubtedly have to accommodate many of these students.

It is the position of the Government of Guam that Agat Junior High School should be restored and upgraded. Guam meets all eligibility requirements for the Department of Health, Education and Welfare financial assistance. Government of Guam hereby requests assistance of the Department of the Interior in obtaining the necessary approval from the Department of Health, Education and Welfare, plus approval to use the Rehabilitation Fund request by the Government of Guam to supplement funds received from the Department of Health, Education and Welfare.

GUAM NEEDS ASSESSMENT STUDY

U.S. Public Law 95-26 appropriated $500,000 for the Guam Needs Assessment Study and Implementation Plan. In October 1977, Mr. Richard Miller, Economist from the Office of Territorial Affairs, came to Guam to conduct a preliminary survey on the "Guam Needs Assessment Study." Since that time, we have not been informed of the status of the study and the estimated completion date.

In a letter dated November 30, 1977 from Mrs. Ruth Van Cleve, Governor Bordallo was notified that Guam's FY 1979 Capital Improvement Request of $22,259,000 was approved in the amount of $8,868,000. Quoting from the letter on the OMB Pass-back, "The rest of the projects on the list, as well as additional projects as appropriated may be resubmitted after Interior completes its' Guam Needs Assessment and prepares a Program Plan for Federal Assistance to the Territory, as has been previously requested."

The completion of the Needs Assessment Study by the Department of Interior is crucial to the future implementation of Governor Bordallo's "Marshall Plan" projects and other capital improvement needs of the Territory of Guam.

We request that the Department of Interior expeditiously complete the Needs Assessment Study and Program Plan for Federal Assistance to the Territory of Guam.

FOREGIVENESS OF REHABILITATION DEBT

A study was done in the latter half of 1977 to investigate the Government of Guam's ability to repay the approximately $40.0 million debt incurred as a result of the Guam Rehabilitation Act of 1963.

Findings:

1. Congressional Records reveal that the purpose of the Rehabilitation Act was to rehabilitate Guam from the destruction caused by World War II.

2. In 1963, Guam predicted it would not be able to repay any debt in excess of $30 million, and that expenditures would eventually exceed local revenues.

3. The long-term debt incurred by the Rehabilitation Act loans amounted to an estimated $44.9 million on the principal, plus $50.1 million in interest, for a total of $95.0 million (est.).

4. As predicted by Guam in 1963, General Fund revenues increased simultaneously with reconstruction activity, and then, when reconstruction ended in 1973, declined.

5. Over-estimates of revenue income between 1974 and 1977 resulted in over-expenditures, excessive commitments and a General Fund deficit amounting to $51.1 million at the close of fiscal year 1976.

6. Experience since 1951 has shown that whereas the infusion of funds into Guam for capital improvements generates increased revenues, when construction is completed revenues decline in the absence of development of a broader economic base while operative costs continue to increase.

7. Based on the volume of typhoon Pamela reconstruction activity, General Fund revenues are expected to increase dramatically over pre-typhoon Pamela levels. Thereafter, in the absence of economic development, revenues are expected to sharply decline while GovGuam's operating costs increase, resulting in the continued deterioration of Guam's financial status.

8. Federal constraints currently hamper the development of Guam's economy, thus limiting the generation of revenues required to support operating costs and repayment of the Rehabilitation Act debt.

9. Although GovGuam's autonomous agencies received $26.5 million of the $44.9 million borrowed under the terms of the Rehabilitation Act, they are financially unable to contribute towards debt repayments.

Conclusions:

1. The General Fund cannot afford to continue the Rehabilitation debt repayments.

2. Inadequate progress has been made in the development of Guam's economy since 1963.

3. There are insufficient sources of local revenue to support the continuous growth of the public sector.

Recommendations:

1. That amending legislation be enacted to forgive Guam the Rehabilitation debt;

2. That Guam be provided technical assistance over the next several years to establish the necessary procedures and data base for accurate revenue forecasting; for budgetary controls and for financial management;

3. That Federal policies and legislation be amended to remove constraints on the development of Guam's economy;

4. That the Federal Government of Guam jointly endorse an economic development program embracing Western Pacific regional development;

5. That Section 30 funds otherwise withheld to repay the Rehabilitation debt be returned to Guam, be placed in a Development Bank and earmarked for projects designed to stimulate private industry.

PUBLIC ASSISTANCE PROGRAMS

The Public Assistance Programs (PAP) are funded jointly by the federal and local governments, supposedly on a 50/50 ratio. However, Guam is currently and consistently for the past several years, over-matching the federal share for AFDC and other assistance programs. The Guam PAP estimate in Fiscal Year 1977 is about $3.5 million and this is projected to increase by an average 23 per cent annually. The federal share for Guam is limited by law (H.R. 7200) to $1.1 million or approximately 33 per cent of current costs; the federal share will continue to decline. It is a well known fact that the federal share for the comparable programs in the 50 states provides at least a minimum of 50 per cent to even far higher percentages of the costs.

Section 1108 of the Social Security Act limits the federal participation in the Public Assistance and Medicaid programs of Puerto Rico, the Virgin Islands and Guam. With respect to Puerto Rico and the Virgin Islands, these limitations were increased in 1972. They have not been amended for Guam since 1968.

The Department of Interior's assistance in amending the Social Security Act to allow greater participation by the federal government is requested.

GUAM'S GROWING DRUG PROBLEM

The Territory of Guam is experiencing a serious and increasing drug problem. The island's location places it in close proximity to Asian narcotic shipment routes; thus, availability of drugs has limited geographic constraints.

Prior to 1970, drug abuse was primarily confined within the military community. However, since 1972, large quantities of heroin have been seized within the civilian community. A spiraling crime rate is mostly attributed to narcotics. The population of addicts undergoing detoxification increases as a relatively continuous supply of 85% pure heroin is readily available on the streets. An estimated addict population (using a ratio of one treated to three not receiving treatment) would amount to 600 to 800 persons, or one addict for every 175 persons on Guam.

Intelligence investigations have surfaced the presence of organized groups involved in the transshipment of large quantities of high-grade heroin into Hawaii and the Mainland. The sophisticated nature of the drug traffic organization, involving well-organized members, financing and code names, makes it extremely difficult for adequate enforcement action given the limited resources of the Government of Guam. The greatest limitations are the lack of trained personnel for the collection and analysis of intelligence information. And the availability of criminal prosecutors and prosecution investigators to implement a "strike force" approach on major organized drug trafficking figures. The military base commanders share in the concern of the increasing problem and enforcement limitations.

The Guam Memorial Hospital, Mental Health Division is the single agency of the territory responsible for the prevention, treatment and rehabilitation of drug abuse. An Advisory Committee has been created and a state plan for a Drug Abuse Program has been adopted. A reorganization of the state agency for drug and alcohol abuse by setting the agency up as a separate unit from GMH is in progress. The new agency will be able to coordinate all facets of drug abuse in a more effective manner. From data obtained from the treatment program, the Department of Public Safety, Narcotics Division; the Guam Narcotics Division to Philippine Police and international intelligence secured through the U.S. Drug Enforcement Administration, Guam has been pinpointed as a major transshipment point.

The health and welfare of the island society and the ability of the local Departments of Public Safety and Law as an effective mechanism of social control depend heavily on much-needed sufficient federal assistance for the personnel, training and equipment necessary to thwart an increasingly urgent problem area. In this connection, Governor Ricardo J. Bordallo, in his telexes of August 18 and 29 graphically outlined the exploding drug problem and its growth into an organized crime operation to Mr. Jack Watson of the White House Staff. Governor Bordallo further requested federal funding to increase the territory's prosecution effort and for the federal government to beef up its own prosecution and investigative efforts on Guam.

To date, the Drug Enforcement Agency has increased its staff by one analyst and one other agent to act as a liason with the Department of Public Safety to institute an area-wide intelligence collection and reporting system. The Law Enforcement Assistance Administration has tentatively approved a major violators unit grant for the local Attorney General's Office after denying a grant for a drug related organized crime prosecution unit. The U.S. Attorney General is planning to assign an Assistant U.S. Attorney General as a second in the local U.S. Attorney's office. The Guam Legislature has appropriated $400,000 for a special drug related prosecution and investigation unit within the local Attorney General's Office.

There is at present a growing demand for the Government of Guam to acquire regulative authority over the development of its economy in order that Guam may fully progress in realizing its development capabilities. Currently, there are over 400 federal statutes governing and controlling the many facets of Guam's economy which have also hindered the many potential economic activities geared towards the island's growth. The majority of these statutes should be modified, re-evaluated and/or reconsidered to exempt Guam so as to allow the normal growth of industry which in the long run would increase local revenues, thereby lessening the federal burden of assistance. The various constraints and problems discussed below not only present an impedance for the local economy's growth but also costs the federal government, who must continue to annually fund what could, if restraints were removed, come from Guam's economy. Therefore, it is our opinion that certain federal laws must be amended or redirected towards the rational development of the territory.

Federal Land Constraints

Guam has resources but it remains unfortunate that most of Guam's natural resources have not been utilized towards economic growth. Guam has vast acres of arable land lying idle and our waters are abundant with fish and shrimp. Guam also has many potential industrial capabilities which would be assets towards the boosting of the economic base. However, development of these sources and industries has been inhibited by the many federal land constraints.

For example, Apra Harbor has the potential of being one of the optimally located, deepest, and busiest modern ports in the Western Pacific. Acquisition of certain military landholdings would help support a potential thriving transshipment industry on Guam as well as providing for our port and industrial expansion. At present, however, only 3% of the 58,000 acres located around Apra Harbor is available to the civilian government which is why arrangements are being negotiated for the transfer of Cabras Island (located off the harbor) to territorial jurisdiction. The location of the present U.S. Navy ammunition wharf has been a major hindrance towards the expansion of Guam's port and its activities.

We are also seeking the designation of the Naval Air Station as a civilian airport to facilitate the expansion of our International Airport in order to appropriately meet the projected increase in demand for the facility. Much of the non-strategic holdings of the Naval Air Station are located adjacent to the Guam International Air Terminal and have hampered the necessary expansions.

At present, the Department of the Interior controls over 800 acres of usable land for agricultural production. Fertile farm land which is held idle by the military must be opened to development in order for a free agrarian economy to gain a foothold.

The Guam tourist and civilian population compete for the little available land, for Guam beaches and for coastlines not held for the exclusive use of military personnel. Some of Guam's finest beaches which would promote tourism are located on military land and are solely for military recreational use. An integrated comprehensive recreational use plan should be utilized for the benefits of all sectors.

In addition, many roadways and systems are on land still owned by the federal government. However, these areas have been maintained and improved by the local government. Original civilian-owned land and now idle military land is needed for the expansion of industrial and agricultural development and port facilities. The cost of these expansions, though, become expensive and difficult when acquiring formerly civilian-owned property from the military. Therefore, an agreement concerning federal land holdings should be arranged which would benefit the people of Guam as well as fulfilling the military need.

Jones Act and Civil Aeronautics Board (CAB) Regulation

A thorough study of the impact upon Guam of federal regulations including that provided by the Civil Aeronautics Board (CAB) and the Jones Act should be made. The impact of these regulations and of the alternatives is largely unknown although most of us on Guam have an opinion.

The Jones Act which results in the Maritime Commission and limits surface shipping between Guam and U.S. ports to U.S. carriers probably reduces competition, particularly price competition. It may have a positive impact on scheduling of shipping between Guam and the United States, however. What is required is an analysis of the impact on Guam of the Jones Act and possible alternatives and a commitment to act on the study's findings. It should be pointed out that the Virgin Islands and American Samoa are exempt from many provisions of the Jones Act. Other sections of the Jones Act restrict the use of foreign-built boats operating from Guam hindering development of commercial boating activities (e.g. fishing and commercial charter). Guam should be exempt from these sections.

Proposed federal legislation, the Cannon-Kennedy Bill, is likely to resolve some of Guam's grievances with respect to airline regulation. What is important, however, is that Guam automatically be consulted by the CAB on any proposal affecting airline routes to, from, and through Guam. The Cannon-Kennedy Bill, at least as once written, will allow free entry of American airlines on routes between Guam and Trust Territory ports and between Guam and other U.S. ports. It will also allow non-predatory price cutting on these routes. It will provide the protection of regulation when volume on a route does not permit competition. The following is necessary for Guam:

a. When permissible by treaty, Guam-foreign routes should be covered by the provisions of the Cannon-Kennedy Bill. This includes free entry of third country carriers on Guam-Japan routes and free entry of Japanese carriers on Guam-third country routes.

b. Foreign carriers should be permitted to serve Guam-Trust Territory and Guam-U.S. port routes. Given Guam's proximity to Asian cities and isolation from the rest of the United States, such exemption for Guam is justified. The most likely source for competition on these routes is foreign carriers. Further, being allowed to fly the Guam-U.S. port routes will increase the attractiveness for these carriers to establish Guam-foreign port service.

c. Guam should be consulted on bilateral transport negotiations, involving Japan, Australia, Hong Kong, China, Philippines, and Guam's other neighbors.

Immigration Laws

Immigration laws permit any number of immigrants who qualify under INS criteria to enter Guam's local population. Because of Guam's small size, proximity to Asia and isolation from the rest of the United States, this has a serious impact on Guam's infrastructure and social system.

Guam should be permitted to put more restrictive requirements for immigration to Guam entering under sixth preference which is for "skilled and unskilled workers capable of filling labor shortages in the United States." Statute requires consideration of local labor market conditions when admitting immigrants under sixth preference. Thus, allowing greater restrictions on immigration to Guam better satisfies the statute than following a national listing of occupations, as is currently the practice.

Too rapid migration from a single place has a detrimental social impact principally through the provocation of overt prejudice. Rapid immigration to Guam from specific Asian countries threatens to change minor problems of discrimination within Guam's social system into major problems. Legislation to permit the imposition of limits based on national origin for immigration to Guam under sixth preference should be considered.

It should be pointed out that, although Guam's problems and threatened problems resulting from immigration based on national quotas is more serious than elsewhere due to Guam's location, Guam is not unique. Other jurisdictions may also require what Guam is requesting.

Finally, Guam should not be ignored when dealing with the illegal alien problem. At this time, problems caused by the existence of illegal aliens in Guam are less than in many other parts of the nation. Nevertheless, such problems do exist.

Headnote 3(a)--Export From Guam to the Customs Territory of the U.S.

Any small economy requires access to a larger market to permit efficient production. Headnote 3(a) of the U.S. Customs Code provides Guam duty-free access to the U.S. Customs Territory. Guam's exporters risk the danger of arbitrary impounding at the U.S. port of entry, however.

Recently for lesser developed independent countries and non-American territories, a system similar to Headnote 3(a), the Generalized System of Preferences, was instituted. When a U.S. Customs Officer at the port of entry suspects misrepresentation under the Generalized System of Preferences, the import is not impounded but the government in the country from which the import came is notified of the possible misrepresentation. Since misrepresentation involves over-representation of the amount of production taking place in the country of origin, the country is relied on to investigate the complaint. In a similar manner, the Government of Guam should be relied upon to investigate Headnote 3(a) abuses. When an agent at the port of entry suspects that less manufacturing than claimed took place in Guam, the import should be passed but the Government of Guam should be called upon to investigate the charge. The Government of Guam has a self-interest that the production required under Headnote 3(a) take place in Guam and the Government should be given the same trust given to the governments of countries such as Barbadoes and Costa Rica.

International Organizations and Technical Assistance

Guam as a small area often requires outside technical assistance. Technical assistance from United Nations organizations has often been offered to Guam. The federal government however, has demanded that the individuals assisting Guam not enter Guam or that they leave Guam before the completion of their work.

Guam is a member territory of the South Pacific Commission, an organization of Pacific Island Territories, nations, and the metropolitan countries of the United States, France, Great Britain, Australia, and New Zealand. The making of positions and agreements involving the South Pacific Commission and its member nations and territories should not be jeopardized by arbitrary and unilateral federal actions. With greater economic integration within the area and with development of marine resources, the importance of joint agreements and actions with these countries and territories will increase.

IMPLICATIONS OF THE GUAM GROWTH COUNCIL

Initially assistance was sought from the Economic Adjustment Committee (EAC) caused by major reductions in the labor force at the Navy Ship Repair Facility (SRF), by the continuing decrease in the level of military presence on Guam since the early 1970's and by the fact that the local civilian economy's future expansion is hampered by military possession of more than a third of the island's total land area, including the land areas around Guam's deep water harbor, her most valuable asset. Much of the land being held by the military is unused or under-utilized; if put to use by the civilian economy, this land could be used in agriculture, aquaculture, commerce, industry, and in the expansion of air terminal and commercial port activities to aid Guam's efforts in tourism, transshipment, fisheries, and related industrial development.

If EAC had no intention to address adjustment problems or to aid efforts in resolving the other obstacles to development, then it should not have gone to the expense of sending so many people to Guam. If the Guam Growth Council paper is EAC's sole answer to the island's development problems then much time and effort has gone to waste. Not only does the paper not address true adjustment problems, but the proposal of a Guam Growth Council is objectionable.

It is essential that the relationship between the Government of Guam and certain elements in the private sector should be more clearly understood and placed in better perspective. In common with State governments on the U.S. mainland, the Government of Guam has numerous boards and commissions to which members of the business community are appointed by the Governor and confirmed by the Legislature. Guam also participates in various federal programs which require the establishment of committees whose membership represents a cross-section of the community. Specifically, as required by the Public Works and Economic Development Act of 1965, as amended, Guam established an Overall Economic Development (OED) Committee, whose membership includes businessmen, bankers, professional persons, blue collar workers, etc. It is the purpose of this Committee to assist in planning the economic development of Guam. One of the problems besetting the OED Committee, however, is the rate of absenteeism from the meetings caused by individuals travelling off-island, or caused by disinterest. In brief, the government of this island by no means excludes the experience, resources or management skills of the private sector.

The growth council as a vehicle for economic planning is entirely unacceptable. The envisioned growth council is to function as a government agency whereas the council is responsible to no one, least of all to the democratic process. Protests have been made against the claim the council usurps government functions through quoting that the council actions "are structured to complement and strengthen public sector programs." The programs, however, involve developing Government of Guam programs and policies and include developing recommendations for changes in Guam-federal relations. These are fundamentally government functions.

As the growth council is being formed, it appears to be an incorporation of a smaller number of individuals essentially responsible to no one. There is no evidence that the council is even responsible to the business community, much less to the community as a whole. For the moment, however, let us suppose that the Guam Growth Council is representative of some people, namely the business community. There are several reasons why such an organization should not be responsible for economic policy.

1. Established businessmen generally resist developments which change the business environment even when not realistically threatening their business. True development changes the business environment and is genuinely threatening to some established business.

2. Businessmen tend to evaluate economic development in terms of maximizing gross growth figures rather than in terms of more quantitative figures such as job variety and other measures of opportunity.

3. In the case of human resource development, a part of the development program, lack of labor representation is outlandish.

Further, much of the program outlined in the Economic Adjustment Program, Guam requires major research, not within the capabilities of volunteer committees with the proposed limited staff.

Interest pressure and lobby groups have an important function in a democracy. If the Guam Growth Council is to be such a group, there are no objections as long as the council receives no government funds and government officials are not in the board of directors. If the Guam Growth Council is to become a private research organization, their success could be a very important contribution to Guam. The organization may also often be contracted to perform specific projects for the Government of Guam. As a private organization basically serving private interests, however, government financing and government official representation on the board of directors is inappropriate.

In most cases, existing Government of Guam agencies must handle the proposed development plan. This does not imply that the Guam Growth Council, either as a lobbying group or as private research organization, should not contribute.

Private research often provides critique which results in government policy. Private organizations such as the Chamber of Commerce often promote a community's development.

POWER POOL AGREEMENT BETWEEN GUAM POWER AUTHORITY (GPA) AND THE UNITED STATES NAVY

The Guam Power Authority (GPA) presently produces 75-80% of the electric power on the island. Of their total production, GPA sells 20-25% to the U.S. Navy at cost. The existing power pool agreement with the U.S. Navy has a number of inequities, including two covenants imposed on GPA as a result of the $36 million loan guarantee agreement, namely:

(9) The Authority shall initiate a study and discussion with the United States Navy to assure that the 5 October, 1972 Power Pool Agreement will continue to provide an equitable sharing of the investment and operating and maintenance costs of the Island Wide Power System. The results of these efforts and pertinent recommendations shall be forwarded to the Secretary of Interior."

(6) The Authority shall immediately take steps designed to enable it to achieve a 1.5 debt service ratio prior to June 30, 1980, a ratio designed to enable the Authority to sell bonds in the private capital Market."

GPA asserts that a continuation of the present Power Pool Agreement will reduce if not preclude the Authority from ever achieving a 1.5 debt service ratio. The inability to make a profit, or even break even, on the power GPA provides the Navy affects the Authority's ability to become a viable utility company, especially when one realizes that the Navy consumes a good 25% of GPA's total output.

<u>Present Situation:</u>

The Authority has contracted R.W. Beck & Associates of Seattle, Washington to identify areas of inequity, dollar value of such inequity, realistic depreciation schedules, rate studies, and a management audit. This should be completed prior to January 31, 1978, at which time, recommendations will be forwarded to the Department of Interior as a third party to prevent any future claims of conflict of interest.

The GPA Board Resolution No. 53 mandates transfer of Navy facilities to GPA with a revised rate agreement to the Navy this spring, such transfer to be completed no later than January 1, 1979.

FARMERS HOME ADMINISTRATION (FHA)

At the present time the only programs which the Farmers Home Administration is authorized to extend to the Territory of Guam are those programs specified under Sections 502, 504 and 515 of Title V of the Housing Act of 1949. Extension of these rural housing programs to Guam was made possible by the Housing and Community Development Act of 1974 (P.L. 93-383) which amended Title V of the Housing Act of 1949 to include Guam, the Trust Territory of the Pacific Islands and American Samoa.

The Famers Home Administration administers other programs, making possible loans and grant assistance for community services (water, sewer, recreation facilities, etc.), business and industrial development, and farm operating loans. In order for these other programs to be made applicable to Guam, existing statutes would need to be amended by Congress to include Guam, similar to amendment of the housing programs. The Virgin Islands is extended most of these programs. Thus, we wonder why Guam was not included when the statutes were amended to include the Virgin Islands.

Guam could stand to benefit both economically and socially if the above programs could be made applicable to Guam. This matter has been brought to the attention of Congressman Won Pat in Washington for legislative consideration by Congress. We request the Department of Interior to expedite the passage of Bill S312, which was introduced in the Senate a year ago. The bill would give the Farmers Home Administration authority to bring the above mentioned programs to Guam.

SMALL BUSINESS ADMINISTRATION

Although Guam qualifies for nearly all programs offered by the Small Business Administration, a number of programs have not been implemented. Recently, however, as a result of the Economic Adjustment Program prepared by the Office of Economic Adjustment, Pentagon, Small Business Administration was authorized to grant Base Closing Economic Injury Loans on Guam.

The Guam branch office of the Small Business Administration at present offers only limited Management Assistance, primarily because of budget constraints. The local office has requested the allocation of a management position in the Guam Branch Office to provide professional services to upgrade management skills of small business. The additional professional person would also free the local branch office of present management assistance services. As it is now the branch office is not adequately staffed and processing of loans is currently done in Hawaii.

Because of Guam's recent development push, and because of the planned push coming in the Northern Marianas Island and the Trust Territory, the level of management skills in the area are in a rudimentary stage of development. It is felt that new types of management training and counseling are vitally needed to upgrade the business environment.

Certain Federally-funded projects require that construction firms obtain a bond from companies that are on the approved list of the Department of Treasury. For companies unable to obtain such a bond, SBA has a program that enables them to bid on such projects. The Economic Development Administration Region IX office assured the Government of Guam that this program would be made available for Round II of the Local Public Works program because of an understanding they had reached with SBA's San Francisco office. However, the local SBA office was unable to offer any information or assistance. Construction activities play a major role in Guam's economy; if local construction firms are to be able to bid on such projects, SBA assistance must be made available.

UNEMPLOYMENT AND THE NON-IMMIGRANT ALIEN LABOR

Guam's unemployment was 10.7 percent or nearly 2,000 people in March 1977. Ironically, at the same time there were over 3,000 non-resident alien laborers in Guam, most of whom worked in the construction industry. Guam favors the action of the U.S. Department of Labor which is forcing wages in the construction industry to rise, making careers in the construction industry relevant options for Guam's youth.

A training program under the auspices of the federal CETA program is being developed in Guam to assist Guam residents in taking advantage of the opportunities in the construction industry. We request some funds for training which will not require that the trainees be economically disadvantaged in order that all interested youth of Guam can be trained.

The federal government found serious problems in Guam's system of enforcement and certification of non-resident alien labor. A major training program for the Guam Department of Labor staff concerned with these functions is required. Along this line, we request more active involvement on the part of the federal government.

FEDERAL HIGHWAY FUNDING

The U.S. Department of Transportation makes available funding for highway projects for Guam of $2.3 million annually under the Federal Highway Program.

Guam's road system was inherited from World War II, it has deteriorated substantially since that time, and is only slowly being rebuilt on valid engineering principles. The number of vehicles has grown from almost nothing during World War II to some 60,000 vehicles today, which necessitates an upgraded system.

Government of Guam's Territorial Highway Fund gets its revenues from gasoline tax. There are adequate monies in the Fund to match U. S. Department of Transportation's authorized ceiling for Guam which together can speed up the upgrading of roads, bridges, etc.

The Department of Interior's assistance in getting the U. S. Department of Transportation to fully budget the $5 million available for Guam's highway needs would be appreciated.

THE PLIGHT OF THE PORT AUTHORITY OF GUAM

When the Port facilities at Cabras Island were planned in 1967, the facilities were designed and constructed to service one containerized cargo carrier and a small number of breakbulk vessels. Within five years, the Port was serving three (3) container carriers and the same number of conventional vessels. Cargo in containers increased from 8,000 containers per year to 50,000 units in 1977. The Port direly needed additional container storage areas. The space problems are so severe that even sophisticated container stacking equipment cannot provide relief and the container carriers U.S. Lines and Matson Navigation have been forced to lease land from the U.S. Navy to overcome the lack of space.

Currently, the Port Authority is in process of negotiating with the U.S. Navy for the rental of these leased areas to increase their service efficiency. A permanent transfer of such land is contingent upon the relocation of the Navy's Ammunition Wharf.

The Port has recently instituted an increase in rate structure for services.

It is requested that the Department of Interior assist the Department of Defense in lobbying at the Office of Budget and Management and Congress for funds for the New Ammunition Pier in Apra Harbor. Until the pier is constructed, necessary land on Cabras Island will not be transferred to the Commercial Port of Guam for necessary expansion, the key to Guam's future economic well being.

FEDERAL AVIATION ADMINISTRATION AND CIVIL AERONAUTICS BOARD

Federal Aviation law refers to those sections of the U.S. Code (49 USC) which regulate and provide for the selection of air carriers and routes, the entry and clearance of civil aircraft in foreign commerce, the development of international aviation facilities, the determination of ports of entry, etc.. Of particular importance to Guam's economic development are the Federal Aviation Act of 1958 and various regulations and rulings promulgated by the Civil Aeronautics Board.

Guam's visitor industry was born in 1967 when Pan American Airways inaugurated its first commercial flight between Japan and Guam. Since that time tourism has grown to become the island's most promising new industry, despite limitations placed on its magnitude and diversification via federal laws and Civil Aeronautics Board rulings.

As the visitor industry has developed, Guam has become increasingly aware of its inability to influence one of the industry's key components - air transportation. Federal aviation policies, which regulate air navigation to and from Guam, have not permitted direct air routes to Australia, Malaysia, Micronesia or other Pacific Basin nations. This conduct has hindered the island's attempt to decrease its dependence on Japan and increase the industry's economic stability. In addition, existing statutes have done little to ease the basic reality that Guam's influence on carrier policies (i.e., schedules,rates, etc.) is minor, while the air carrier's impact on the local economy is quite significant.

In terms of air freight Guam is again caught in a foreign-domestic dicotomy. Although a U.S. possession the island is considered "foreign" in terms of air passenger fares and freight rates. As a result, tourists pay relatively higher fares to visit Guam, and local business and industry encounter inflated air transporation costs.

Because of Guam's location and tourist area acceptability, other though smaller carriers have requested to land on Guam. They are Cathay Pacific and Nippon Airways. Such activity would definitely help spark Guam's economy. However, the Civil Aeronautics Board's approval is required. Many times, CAB's rulings have been adverse to Guam and many times CAB has taken a very long time in reaching a decision. Guam's aircraft service needs, as it relates to non-American carriers, must be decided by Guam authorities; as it relates to American carriers, a joint agreement should be pursued.

The Department of Interior is requested to support efforts to deregulate the airline industry. The Airline Deregulation Bill now pending in Congress proposes to redesignate Guam from overseas to interstate. This will allow air carriers to make a relatively easy entry into Guam.

OIL ENTITLEMENTS TO GUAM

Under the Emergency Petroleum Allocation Act of 1973, the Federal Energy Administration is mandated to the maximum extent practicable, to ensure the equitable distribution of residual fuel oil at equitable prices, among all regions and areas of the United States. It was from this mandate that the Old Oil Entitlement Program was initiated.

A recent audit of the Guam Oil Refinery Company (GORCO), crude oil runs to stills, revealed that the reported crude oil was not 100% virgin crude oil. The Federal Energy Administration (FEA) rendered opinion 1977-5 substantiating the audit report. GORCO appealed to the FEA for exception relief (F.E.A. Case #FEE-4105). GORCO states that without 100% entitlement benefits, they would be placed in a non competitive position to market their refined products.

The Government of Guam and the Guam Power Authority (GPA) filed comments and made verbal presentations on the exception relief request in an attempt to show the economic impact to the island economy if the entitlement benefits to GORCO was reduced. The FEA requested additional substantiating data regarding the economic impact before July 12, 1977, to assist the FEA in arriving at a decision.

In the event an unfavorable decision is rendered by FEA, the Government of Guam is preparing a separate exception relief appeal to be submitted on behalf of the Government of Guam.

A decision on GORCO's appeal has still not been made. Assistance from the Department of Interior to determine the status of the request and expedite the decision would be appreciated.

DEPARTMENT OF INTERIOR LAND HOLDINGS

The U.S. Department of Interior holds title to certain lands on Guam which were to be part of the National Seashore Park of the U.S. as well as additional lands.

Because of a growing population, there is a need for additional lands to support the population and economy. It is requested that the Department of Interior consider the transfer of all Interior property to the Government of Guam for use of the people of the territory.

WAR IN THE PACIFIC NATIONAL HISTORIC PARK

To satisfy the needs of the interpretive program, to preserve a representative portion of the many sites relating to the Battle for Guam, to provide a manageable park unit, it is proposed that there be five separate units of land included within the authorized boundary of the national historical park. The total within the proposal is 883 acres of land more or less and about 1,000 acres of offshore or water area (offshore areas are owned by the Government of Guam). The five separate units of land consists of the:

1. Asan Unit - the prime complex of battle ground areas, landing beaches, and on-site remains within the proposed park, this unit is composed of 625 acres plus approximately 450 acres of offshore areas. Ownership breakdown is as follows:

Federal	-	456 acres
GovGuam	-	19 acres
Private	-	150 acres

2. Piti Unit - site of three existing coastal guns. All 21 acres of land is owned by the Government of Guam.

3. Agat Unit - composed almost entirely of beach and offshore area, plus a few small parcels at either end and near the center of the beach, the purpose of this unit is to preserve the second major invasion beach. Total land area is 30 acres plus about 550 acres of offshore area. Ownership breakdown is as follows:

Federal	-	21 acres
GovGuam	-	4 acres
Private	-	5 acres

4. Mt. Tenjo, Mt. Chachao Unit - purpose is to provide two excellent overlooks along a section of "FBL" or Forced Beachhead Line. This is a small area consisting essentially of 2 overlook points and a connecting right-of-way. These 51 acres are all privately owned.

5. Mount Alifan Unit - encompasses a major battlefield area, plus a system of tunnels some remaining defense works, and is the site of a Japanese gun emplacement. This unit about 158 acres, is all federally owned.

This revised proposal as submitted to the Director of the National Park services, Department of Interior is agreeable to the Government of Guam and appears to involve little in the way of land costs. We urge the Department of the Interior to actively pursue designation of the above described areas. While a proposed Urban Renewal project within the Asan village area strongly compliments the designation of this park, the Government of Guam is extremely concerned that further delay will result in pressures for additional development which would degrade the historic value and render the concept of the park unfeasible. At present, the War in the Pacific Park would serve to commemorate a key point in history for the benefit future generations. To lose this opportunity through bureaucratic delay would indeed be tragic.

LAND AT HARMON CLIFFLINE

A memorandum from the Governor to the Director of Land Management dated August 13, 1976 designated that Agency to chair a committee for the purpose of developing a justification for turnover of certain Federal Lands located in the Harmon Cliffline area in Dededo.

As described in NAVFAC DWG #1268677; subject land is comprised of 820.8486 acres (3,32 1,869. 97 s.m), and is located in Dededo immediately north of Tumon Bay, bounded by the Pacific Ocean to the West, Rates 1 and 3 to the South and East, and NCS beach road to the North. Present ownership is vested in the U.S. Air Force; former uses being HQ for Marbo Engineering Command and Housing for the former Harmon Air Force Base.

Present use by the military is extremely limited, if any. No proposals to the knowledge of the Government of Guam exist for future use by the Air Force. It is the opinion of the Government of Guam that this particular parcel is clearly of an "excess" category and should be returned to the Government of Guam.

Constraints to high-intensity development are the presence of Air Force Base - Air Approach Noise Zones CUD 12 and 13 which would require a Noise Reduction Level (NRL) of between 25 and 30 for residential structures.

Suggestions covering a wide variety of uses have been developed by the Departments of Land Management, Parks and Recreation, Public Safety, Public Works, the Power Authority and the Telephone Authority.

In addition, the proposed Latte of Freedom site is within the boundary of this parcel as well as the existing overlook at Puntos dos Amantes, which is a National Natural Landmark Site designated by the National Park Service.