



STATE OF THE ISLAND ADDRESS

TUESDAY, MAY 13, 2003

10:00 A.M.

LEGISLATIVE SESSION HALL



Governor Felix P. Camacho

HAAGATÑA, GUAM

STATE OF THE ISLAND ADDRESS

Governor Felix P. Camacho

May 13, 2003

Good Morning... Lieutenant Governor Moylan, Mr. Speaker, Mr. Chief Justice Phil Carbullido, former Governors, Consulate Generals, members of I Mina' Bente Siete Na Liheslaturan Guahan, Attorney General Douglas Moylan, Public Auditor Doris Flores Brooks, President of the Mayors Council Mayor Robert Lizama, Rear Admiral Patrick Dunne, Colonel Jeffery Levault, Captain Robert Lorigon, members of the clergy, District Court Judge John Unpingco, Acting Presiding Judge Elizabeth Barrett-Andersen, associate judges and justices, Mayors and Vice Mayors, Cabinet members, former lieutenant governors, speakers, delegates, senators, judges and mayors, members of the Consolidated Commission on Utilities, members of the Guam Education Policy Board, public servants... My fellow citizens... Thank you for taking time to be here today. I would like to also recognize First Lady Joann Camacho and my mother, former First Lady Lourdes Camacho.

Before I begin,.. Lieutenant Governor Moylan and I would like to thank the men and women of our armed forces who contributed to the Liberation of Iraq.. and the toppling of Saddam Hussein's regime. We are proud of your work in advancing the cause of freedom... A grateful island... and nation thank you.

Ladies and Gentlemen, I stand before you this morning to deliver the state of our island. From our first day in office, we have been honest with you about the challenges facing us. Over these past 128 days, we have learned the true magnitude of our problems--taking the first of many difficult steps to overcome them. Yet, despite these adversities—we are moving our island in the right direction. In the long run Guam's economy... education... health... utilities... homes... and families will be better for the sacrifices we all make.

From the outset, Lt. Governor Moylan and I committed to controlling the cost of your government... to ensure that it lives within its means-- A government that would serve you better—whose boundaries would end... where your individual choice begins—and

STATE OF THE ISLAND ADDRESS

Governor Felix P. Camacho

May 13, 2003

that would nurture success in our people. The future of our island... belongs in the greatest hands we know—yours--the people of Guam. We are well on our way to securing your future and the future of our children.

JUSTICE TAITAGUE:

In this short time our island experienced some remarkable moments... like our people coming together in the National Bone Marrow Drive for the sake of a child... named Justice. Through little Justice Taitague we became a community united by love—called to a higher purpose. Thank you Doctor Thomas Shieh and the Guam Medical Society.. for showing all of us that the compassion of a doctor.. extends beyond your offices and into the homes of our people. And Thank you Tony and Lynn Taitague.. for allowing us to be a part of your precious daughter's life. She touched our hearts and showed us the face of God.

We call upon this same spirit of community and higher purpose as we face the harsh realities of a bankrupt government -- of an economy in the midst of its longest and deepest recession -- and recovering from the destruction of Guam's most damaging Super typhoon in twenty-six years.

Super typhoon Pongsona caused more than one-quarter of a billion dollars in damage – twice as much per capita as any in our nation—a national record we would rather not have. It damaged every one of Guam's 35 public schools. It crippled our utilities. It caused mandatory gas rationing. It forced government and family alike to spend money they did not have... And it set back Guam's economic recovery by months.

DISASTER RECOVERY and UTILITIES:

Yet despite this, we came out of the typhoon... better than we were before. We no longer endure long-term boil water notices... or unexplained power outages. Water outages

STATE OF THE ISLAND ADDRESS

Governor Felix P. Camacho

May 13, 2003

were reduced. The practice of "water-shifting" was halted. And many areas now receive water on a more consistent basis-- a goal our Administration sought and Senator Joanne Brown fought long and hard for. Today the power plants of Cabras III & IV are also being restored.

We are working with the Consolidated Commission on Utilities... that you elected... based on the law authored by Senator Mark Forbes. I ask the commission to plan for underground power lines to comply with the law authored by Senator Tina Muna Barnes that I signed. Moreover, that they continue their efforts to outsource and privatize... preparing Guam for new growth.

Many people were laid off in the aftermath of Super typhoon Pongsona. After reaching out to U.S. Labor Secretary Elaine Chau for assistance... we were awarded \$10 million dollars that now employs and trains hundreds of our people.

In spite of GovGuam's previous misuse of typhoon recovery funds... we convinced FEMA to pay 90 percent of our recovery costs. While in Washington D-C last week... I continued to present Guam's case and requested FEMA to cover 100 percent.

Our government agencies have completed their applications for federal assistance... and currently FEMA has obligated more than \$30 million dollars to reimburse emergency expenses and initiate restoration projects. We also have secured more than \$30 million dollars to mitigate future disaster losses... I am also pleased to announce that this week FEMA has set aside more than \$6 million dollars to assist us in replacing damaged classrooms. Making schools safe for Guam's children is our top priority.

Following the Super Typhoon we reached out to Japan and Korea... to tell them that Guam would be open for business sooner than they anticipated. Two hundred media and

STATE OF THE ISLAND ADDRESS

Governor Felix P. Camacho

May 13, 2003

travel professionals came to Guam and saw for themselves how far we had come... in so short a time. As a result, our post-Pongsona arrivals improved immediately. But today we are confronted by new challenges. Our tourism industry has been hurt by the impact of the Liberation of Iraq, the North Korean nuclear situation and the threat of SARS.

These events, all beyond our control, contributed to our economic decline. But our problems, aggravated by outside events, have been caused mainly by our own government's lack of foresight and moreover... lack of discipline.

LACK OF ACCOUNTABILITY:

Reckless and uncontrolled spending,... hiring sprees,... disregard for federal funding requirements,... a lack of fairness in procurement and accountability... have been the hallmark of the past. All this is now changing.

We assumed office with a government facing a combined budget and cash shortfall of more than \$280-Million dollars... and an economy confronted by typhoon, war and disease.

BONDS AND COST CUTTING MEASURES:

Both our Administration and the Guam Legislature acted decisively to avoid payless paydays and a government-wide shutdown. We have been forced to make the difficult choice to reduce hours,... consolidate services... and outsource... to lower the cost of government—simply because the alternative would be a payless payday for all employees. Today our GovGuam employees are paying the price of past misspending and over-hiring.

I'd like to thank you Mr. Speaker and the Guam Legislature for their cooperation over these last few months in dealing with a government in crisis... and an Administration in

STATE OF THE ISLAND ADDRESS

Governor Felix P. Camacho

May 13, 2003

transition. History may not remember every single way we contributed to this island's betterment... but it will remember if we failed to try. The courage to take on challenges... and the success we've had in meeting them... will distinguish us from others. This same sense of purpose will help us meet the challenges ahead.

The recently passed \$248 million Revenue Bond is a necessary step in the right direction. "Necessary"... because shutting down schools, safety, health, utilities and the welfare of Guam is not an option. The revenue bonds will pay millions in past vendor debt and free daily collections to keep critical services operating. I would like to thank Senator Toni Sanford for introducing, at my request, this critical bond bill.

We continue to pay the price of mismanagement, as the recent downgrade of our bond rating from "B-B to B" reflects. We must begin to restore Guam's credibility in the world's financial and investment community—for today and tomorrow's generations.

The state of the world economy... recent regional and international events... and the devastation caused by Supertyphoon Pongsona have hampered our economic recovery efforts. Guam's recent credit rating downgrade calls for a commitment to a solid recovery plan. Standard and Poors cited the need to address three areas in order to improve our standing amongst investors: our economic dependence on tourism, the budgetary imbalances, the high debt burden and the excessive unfunded pension liability.

My administration is already taking steps to restore Guam's investment rating. We have been working closely with our financial advisors, Bank of America Securities, to move Guam toward a stronger fiscal position.

Both my Administration and the Guam Legislature have made the painful decisions to keep our government running... The authorization levels of this government have been

STATE OF THE ISLAND ADDRESS

Governor Felix P. Camacho

May 13, 2003

dramatically reduced in the past two fiscal years through a budget crafted by Lt. Governor Kaleo Moylan and this Legislature's recent enactment of Public Law 27-05.

We have:

- Permanently amended GovGuam benefit packages
- Limited leave earned
- Restricted overtime to just uniformed personnel
- Implemented a plan to outsource government services
- Expedited the construction of CIP projects
- Relocated government offices out of Tiyan
- Eliminated the practice of double dipping in my Cabinet and Office
- Begun aggressive tax collections and are working with the Department of Interior to bring federal agents to assist in these efforts
- Expedited the reimbursement of federal funds
- Provided over One Million Dollars to GVB for the Summer Marketing Program

The Guam State Clearinghouse -- directed by Lt. Governor Kaleo Moylan -- will allow us to better monitor, audit, and recover all federal funding. We can expect that over One Hundred Million Dollars (\$100,000,00) a year -- in cash flow reprieve -- will be realized by simply transitioning from a reimbursable to an advance system of funding for all federal grant-in-aid.

We need to finally restore GPA's investment rating and ability to rebuild... without burdening our citizens with higher power rates. We need to finally eliminate the budget deficit, restore retirement to true solvency, and build and repair schools.

I ask this body to revisit our borrowing authority to include eliminating the deficit, closing the Ordot landfill, paying off the retirement debt, paying outstanding GPA

STATE OF THE ISLAND ADDRESS

Governor Felix P. Camacho

May 13, 2003

payments, funding Guam's share of post-typhoon recovery, and funding a marketing plan to increase our visitor levels.

Committing to a solid, long-term financial plan will allow us to convince Standard and Poors and our investors that this government is committed to full recovering and expanding the economy. It is imperative that we join hands toward this goal. My office - in conjunction with our financial and economic advisors -- has put together an outline for a 5-year plan that will incorporate both short-term and long-term plans to bring our island to fiscal solvency. I invite our Senators to work with me on developing and refining this plan.

Our road to financial stability is filled with challenges that will test our will and character to return our island to its state of prominence in the region.

I thank Vice Speaker Aguon for offering to work with us to make the changes that will make this a reality. And I ask the other members of this body to join in our efforts to end Guam's financial and economic crisis once and for all.

CUTTING COST TO AVERT PAYLESS PAYDAY:

Both my Administration and the Guam Legislature have made the painful strides to keep our government running. Over the last three years... the government of Guam experienced a decline in revenues more than \$100 million dollars. In the previous two years, we reduced the authorization levels of government by more than \$100 million, through a budget authored by Lt. Governor Moylan... if the previous Administration had followed this plan, we would not be in the predicament we are in today.

STATE OF THE ISLAND ADDRESS

Governor Felix P. Camacho

May 13, 2003

This year we reduced the cost of running this government by more than \$40 million dollars. By the end of fiscal year 2004, we will reduce the expenditure levels by \$100 million more with this plan.

The harsh reality of our economy and our government's financial state leaves us no choice. Our community must begin to understand that government cannot be all things to all people... that public employment is not an entitlement, but a service. The success of our own people can no longer be held back by the failure of government to deliver basic services.

Good government is silent... It protects, but does not impose. Good government listens and responds... but never dictates. It supports more and limits less. And it always allows people to freely determine their own dreams and success. Stewardship is leadership that serves... in all ways, at all times, for all people.

GOVERNMENT CONSOLIDATION:

Reducing the cost of government is only the first step in improving public services and stabilizing our economy. Today we stand at the doorstep of our greatest opportunity... to redefine the role of government in the lives of our people. But it won't be easy—great tasks never are. And everything always seems impossible before it works.

Thirty-three years ago, this government consisted of 18 agencies. On January 6th, we inherited 52. Over the years, this government doubled in size – then it nearly doubled again. Our people grew accustomed to the notion that government was the answer to all our problems. Some have even used government to perpetuate their political authority – manipulating public resources for their own political gain.

STATE OF THE ISLAND ADDRESS

Governor Felix P. Camacho

May 13, 2003

Today our government provides power ... as one of the only publicly owned power companies left in the nation. We provide telephone services... as the last remaining publicly owned telephone exchange in America. Our port is one of the few publicly operated ports in the world.

Our government pays more for the medically indigent than it would to simply insure them. We have millions in longstanding receivables that private companies could handle now... simply for a portion of what government has proven it cannot collect anyway.

And there are dozens of other government services that private companies could better provide. Outsourcing provides critical services for less money, circulates more tax dollars back into our economy and create jobs... Government must embrace the private sector – not compete against it.

While reorganization has been thrust upon us by economic realities, it is certainly long over due. With legislative support and approval, the government of Guam will be reduced to as few as 12 departments with a thousand (1,000) fewer positions from the Executive, Legislative and Judicial Branches paid for by local funds. I submitted a budget proposal to the Guam Legislature that reflects these changes because delaying the inevitable is not an option.

Reorganization, however, requires cooperation from the Legislature. I invite all the members of the Guam Legislature to join this effort. Reorganization is not only necessary—but also the right thing to do.

CAMACHO MOYLAN PROMISE OF CHANGE:

Confronted by harsh realities and even harder choices, we are doing everything possible to minimize the impact on employees' lives.

STATE OF THE ISLAND ADDRESS

Governor Felix P. Camacho

May 13, 2003

Confronted by harsh realities and even harder choices, we are doing everything possible to minimize the impact on employees' lives.

I signed the law, authored by Vice Speaker Frank Aguon, which gives employees the first right of refusal for services that are outsourced. Previous law already requires companies awarded these services to pay Federal government wage levels. Employment and housing assistance programs are available... And there are entrepreneurial programs for those who wish to open their own business and compete for services being outsourced. The changes we make are being done with alternatives for both public and private employees.

In just one hundred days we have brought about the most sweeping changes our island has seen in 33 years of self-government. We will not waver in our mission is to restore the trust of our people, our nation and the world in the government that serves Guam's people.

FIGHT CRIME AND CORRUPTION:

Restoring trust begins with keeping our streets safe and our public agencies free from corruption or abuse... Already, former government officials and employees have been convicted, charged or are currently being investigated for their wrongdoings.

Our administration's newly established Government Corruption Task Force... under Acting Police Chief Earl Aguigui... has worked side by side with Guam's elected Attorney General to expose those who betray the public's trust. Reducing crime begins with those who are entrusted with running this government.

Chief Aguigui streamlined GPD's operations and re-instituted the Civilian Police Reserve Program... putting more officers in the streets... saving hundreds of thousands in

STATE OF THE ISLAND ADDRESS

Governor Felix P. Camacho

May 13, 2003

overtime. We also have secured \$700,000 in federal funds aimed at stopping violence against women.

I welcome the efforts of the Chairman of Public Safety, Senator John Quinata to find funding sources for GPD's permanent facilities and along with Senator Ray Tenorio I will work to redefine the standards for all law enforcement on Guam.

I also would like to congratulate Acting Chief Earl Aguigui on his nomination by President Bush for U.S. Marshal. This speaks well of the level of professionalism of our local law enforcement. GPD's loss will be the U.S. Marshal's gain.

Others continue their work at keeping our government answerable to you. Public Auditor Doris Flores Brooks has brought to light many questionable practices of the past and underscored the precarious state of Gov-Guam's finances. I applaud Public Auditor Brooks for her outstanding work in upholding the integrity of our government.

I also would like to thank Acting U.S. Attorney Fred Black and the hard-working men and women of his office, the FBI and other federal agencies... for exposing those who violate the people's trust. Transparency in government is the foundation upon which our democracy is based. I congratulate Attorney Lenny Rapadas on his confirmation as Guam's new U.S. Attorney... and look forward to the same level of standards that have already been set.

REV AND TAX:

Those of us who pay our taxes on time have been unfairly bearing the burden for those who haven't. Under our tax director, Art Illagan, we are changing all this... The Department of Revenue and Taxation is aggressively pursuing those who have not paid their fair share – and they will be held accountable— a concern echoed by Senator Bob

STATE OF THE ISLAND ADDRESS

Governor Felix P. Camacho

May 13, 2003

Klitzke. We are working to increase the manpower and resources at Rev and Tax... so they can accelerate and broaden their enforcement.

But we will do more than collect overdue taxes. For the first time in nearly a decade, we are working to release your tax refunds on time this year – and it will be possible because of the recent Revenue Bonds. Tax refunds are your money. The government has withheld \$143 million of your money for far too long. It is time to put your money back into your hands.

ORDOT AND ENVIRONMENT:

Protecting our community isn't limited to law enforcement... it includes our environment. Funding the closure of Ordot landfill and the opening of a new one will save millions in fines... protect our community's health... and put behind us a problem that has literally been piling up.

Extending the use of a landfill starts in our daily lives. Today, I signed an executive order requiring mandatory pre-sorting and recycling in government. I commend Senators Joanne Brown, Rory Respicio and Tina Muna Barnes for their aggressive approach to protect the environment.

We will outsource landscaping of our roads and public facilities--identifying areas for companies, neighborhoods or citizens to adopt and maintain. There are solutions that are not found in the vastness of government, but in the good will of our own people...People like small business owner Tony Lujan and the Thunder Road Motorcycle Club who adopted a portion of Marine Drive and now uses their time and resources to beautify and maintain a small piece of Guam for all of us... Or the hundreds of citizens who joined us on weekends to rid our island of unsightly litter as part of our Na La Bonita Guam project. Everyday heroes who offer their time and effort to restore our paradise. Our thanks to Tony Lujan and the thousands of unsung heroes.

STATE OF THE ISLAND ADDRESS

Governor Felix P. Camacho

May 13, 2003

HOUSING:

We embrace the traditional values of caring for our elderly and those challenged in life. We are going to build new senior citizen centers in Malesso, Agat, Piti and now in Agana Heights... thanks to Senators Larry Kasperbauer and Tina Muna Barnes for introducing bills that would transfer land from GWA to the Agana Heights Mayor so we can begin construction on this village's Senior Citizens Center. We are also building a new Dementia Care Center in Dededo... a new homeless shelter for Catholic Social Services... a new facility for the Salvation Army... and new Head Start Classrooms for public schools.

Likewise our DYA Director Chris Duenas is administering millions in federal funds – carrying on work started by former director Senator Rory Respicio - to construct a new DYA Cottage Home and a Youth Correctional Facility.

My Administration also restored federal funding assistance for our elderly and disabled as well as revived Temporary Assistance for Needy Families... to assist nearly 500 residents by June. The true measure of a community is found in its treatment of the elderly or disadvantaged.

EDUCATION:

While our economy and government's financial situation has touched the lives of everyone on island... Lt. Governor Moylan and I have worked to shield our children from the worst of it. Under a law authored by Senator Larry Kasperbauer... we are working with the Education Board you elected along with Chairperson on Education, Senator Carmen Fernandez, to create a school system that teaches our children to

STATE OF THE ISLAND ADDRESS

Governor Felix P. Camacho

May 13, 2003

excel... For the first time in the history of our elected government, the education of our children is in the hands of educators you choose and the superintendent they select.

Our protection of the school children began with my exemption of classroom teachers from the reduced workweek... It continues with the return of Yigo land to DOE for temporary classrooms for JFK students.

We must revisit our approach to public education. If we expect our children to succeed then we must give them the tools they need. We have long known that DOE's challenges are greater than money – even when DOE had all the funding it requested, our children still sat in dilapidated buildings without enough supplies or textbooks.... And test scores ranked among the lowest in the nation. More of the same is simply not good enough.

Today, I am calling for an aggressive new approach to the education of our children. We will be presenting my Administration's Classroom Empowerment Act to the Legislature. I ask Senators for their support.

It requires that the School Board implement a site-based management program and that next year... DOE's budget be appropriated by individual schools. It involves leasing school land to developers in exchange for building and repairing schools.

If enacted it will return many of DOE's administrative functions to Department of Administration... to reduce duplication of services and free more money for classrooms. By doing this, we will place the principals, teachers and parents where they should be – at the helm of our children's education.

The Classroom Empowerment Act earmarks 90 percent of DOE's budget for the schools. DOE's central office will serve the basic functions of Accreditation, including Planning and Development; Curriculum; Teaching Standards and Testing. We must ensure that

STATE OF THE ISLAND ADDRESS

Governor Felix P. Camacho

May 13, 2003

each student's performance is properly tracked and our curriculum is consistent with national standards.

This is the level of authority that the schools have cried out for – it is time to return this authority to them. As Governor, I will not stand by and allow another generation of children to suffer from the ineptitude of government bureaucracy.

But decentralizing DOE is not enough. Outsourcing cafeteria and maintenance services as mandated by Senator Jesse Lujan's budget amendment--will save millions – money that would be better spent on teachers, textbooks and schools. The northern public schools have outsourced cafeteria services – resulting in a double-digit increase in student patronage...and a 28 percent decrease in the cost of children's lunches... who now choose from a larger variety... that meet federal nutritional standards and save \$450,000 in just these schools. Our schools cannot afford to stay in the restaurant business and must return to the business of teaching.

We must also build more schools with smaller student populations. Our children are forced to learn in crowded classrooms in old and potentially unsafe buildings. Our challenge is to find innovative solutions; like using the JFK and Chief Brody property to build new schools.

We are finalizing an invitation to bid for any investor willing to lease the property of JFK and Chief Brodie. This is the wise use of government land... in the heart of our busiest commercial district... and it will provide the funding we need to build new schools. The proposal will require the developer to construct a convention center to showcase our unique culture for residents and visitors alike. Under my administration, education and cultural preservation will thrive alongside economic prosperity.

Our people can make no better contribution than to invest in our children's future. That's why, beginning this year, half of the Liberation Carnival proceeds will be dedicated to a

STATE OF THE ISLAND ADDRESS

Governor Felix P. Camacho

May 13, 2003

textbook fund. The First Lady will also start a book drive to replenish the school libraries. I ask for your support in this.

We will create new industries from higher education. I recently wrote to U.S. Senator Conrad Burns to assist UOG in becoming a computer economic center. Working closely with Senator Burns, I was successful in including Guam with the State of Virginia to be part of the appropriations budget for 2004 that develops a revolutionary nationwide program called Map R.O.I. Map R.O.I. provides data on government procurement, available federal grants, market intelligence and business development tools... to help companies turn marketplace knowledge into increased sales. It also helps our government and private citizens obtain more grants and assistance. This economic stimulus package will provide approximately \$20 million dollars extended over five years to the University of Guam to house and train technical personnel to implement this program.

We are also supporting UOG's efforts to elevate the marketing of UOG and GCC to students in Asia, as part of our efforts to increase outside funding for education.

HOMELAND SECURITY:

However, we must measure our steps to broaden our markets with a caution deserving of these times. Because of the September 11th terrorist attacks, the Liberation of Iraq, North Korea's nuclear threat and now SARS... our gateway agencies are making huge investments in labor, equipment, computers and infrastructure to further safeguard the security and health of our island and our nation.

The Guam Airport, the Port Authority, Customs, GMH, Public Health and Homeland Security have all made adjustments to ensure our readiness to avert threats dictated by world events.

My administration obtained 6-point-4 million dollars in federal funding for our local Office of Homeland Security. This money will be able to outfit 100 percent of our first responders to protect our community. This includes threats of bio and chemical hazards,

STATE OF THE ISLAND ADDRESS

Governor Felix P. Camacho

May 13, 2003

the ability to decontaminate and to upgrade the communications capabilities between emergency response agencies. Our people can now sleep better at night knowing that Guam is on the cutting edge of our nation's war on terrorism.

We have secured even more federal funding to train and equip our fire fighters.... And we will soon be purchasing two new fire trucks and four ambulances using lapsed compact-impact funds.

The Guam Airport continues to pursue federal grants and funding to develop new services and expand existing facilities. Law enforcement and auditors are investigating the management practices of the past and ensuring that checks and balances are restored.

Over the next 18 months, the Airport will release more than 50-million dollars for typhoon-related damage and other capital improvement projects. This money will jump start our construction industry and restore jobs for skilled labor and professional services.

The Director of the Port Authority of Guam, Joe Mesa is also making concerted efforts to bring our port size and costs in line with its financial realities... We will continue to pursue privatization of some of its functions... such as outsourcing the purchase of the port's gantry cranes. We also have received 1.2 million in federal funding from the U-S Department of Commerce for the design of the hotel wharf expansion.

The agencies responsible for the gateway to our nation and our island have all taken measured steps to improve their facilities... and guard against the threat of terrorism. But in today's world – we must defend our shores from more than those who wish to threaten our freedom.

HEALTH:

The emergence of Severe Acute Respiratory Syndrome (SARS) has heightened public concern of our community's health. With an economy based on Asian visitors and our

STATE OF THE ISLAND ADDRESS

Governor Felix P. Camacho

May 13, 2003

close proximity to some of the areas hardest hit by this new disease... Guam has been quick to take precautions to isolate and respond should this virus reach our shores. I commend Public Health, Customs and Quarantine, GMH and the island's medical community for their proactive work. Today Public Health officials work side by side with Customs agents —greeting flights from high-risk areas. As a gateway to our nation and region... we must be ever vigilant in our efforts to keep Guam and our nation safe.

The work of our health care professionals highlights the need to achieve accreditation for our island's only civilian hospital. The rightsizing of GMH by its Board and Acting Director Bill McMillan is just the first of many steps.

We are now reviewing a refinancing package for GMH that combines federal assistance with national insurance interests to restore accreditation to hospitals... another example of local and federal government partnering with the private sector to improve services.

We are also creating a community health consortium... to outsource services to clinics that already can and do provide this care. This program reduces the funding necessary for our government-run hospital... and is a step toward a privately run institution that could co-exist with GMH.

I also ask the Legislature to support my upcoming bill to establish an Arbitration Center on Guam. This center will take advantage of our United States Territory status... and the stability of our justice system. It will be a center for international arbitration. This act will be expanded to address the concerns of our medical community... by providing an alternative to resolving medical malpractice issues... substantially reducing medical professionals exposure and ultimately the cost of healthcare for Guam's people. I want to thank Presiding Judge Lamorena, Chief Justice F. Phillip Carbullido, and Senator Randy Cunliffe for their work on this worthwhile project. Our role as America's gateway to Asia... can bring many benefits beyond an arbitration center... especially in this changing world environment.

MILITARY RELATIONSHIP:

The economic rearmament of Guam continues through increased military presence on island.... One that doesn't endanger the return of unused land deemed excess by the military and the United States Congress. I have met Major General Dennis Larsen of Andersen Air Force base -- Rear Admiral Patrick Dunne, the Commander of Naval Forces Marianas, -- and the U.S. Marines Corps Commandant, General Michael W. Hagee, who all support increased military operations on Guam.

The recent visits by the Aircraft Carrier USS Carl Vinson, the stationing of two fast attack submarines, the staging of B1 and B52 bombers, the F-15 and F-16 Combat Aircraft and the recent Tandem Thrust Military Exercise all highlight Guam's value to national defense and benefit our economy.

Our administration is working closely with the military to allow greater local participation in support of their mission. Preliminary work is already underway to expand Apra Harbor's capacity. Already military construction on Guam has exceeded more than 100-million dollars.

Working with the Commander of Naval Forces Marianas we are on the threshold of relocating our Barrigada Fire Station and securing four ambulances from the Naval Hospital.

I want to thank the military command for their willingness to help in this and so many other local projects. Your contribution to Guam goes far beyond your call of duty.

In return, our island is doing all that it can to support our nation's defense... And that is part of the message I took to our Commander in Chief.

STRENGTHENING FEDERAL TIES:

Two days ago, I returned from a trip to Washington D.C. where I met with President George Bush. The President took time away from world events – to embrace Guam and other territories’ needs. To show his concern for the territories... he signed an executive order establishing the Interagency Group on Insular Affairs. In the previous Administration, the president had only done this through an inter-agency memo. With the executive order in place – the Interagency Group now will transcend into future presidential administrations. The Interagency Group will ensure that the needs of Guam and the other territories are supported at the Cabinet-level. Our message to Washington is being sent and our voice is being heard by the Republican Administration and Majority in the House and Senate.

I also met with the Department of Interior and asked for \$500-thousand dollars in technical assistance... to help us develop our economic stabilization plan, which will build the framework for the economic recovery of our island. I then spoke with officials at the Department of Health and Human Services and requested nearly \$1 million dollars in the form of a social and economic development grant. The funding will be used to help implement our economic stabilization plan diversify our economy and bring investors to our shores.

While in Washington I also visited with members of the President’s cabinet and leaders in Congress... to reestablish Guam’s role as the Nation’s gateway to Asia... and its frontline of defense. Together with Congresswoman Madeleine Bordallo, we secured commitments by Chairman (Duncan) Hunter of the House Armed Services Committee and Chairman (Richard) Pombo of the House Resources Committees to conduct Congressional hearings right here on Guam. This is an historic first... and gives our

STATE OF THE ISLAND ADDRESS

Governor Felix P. Camacho

May 13, 2003

people the opportunity to have their voices heard by the very men and women who make decisions that affect our island.

I worked with Interior to identify \$6 million in infrastructure funds for Guam.... I began the push for \$50 million more in federal funding assistance for highway improvements and for Guam's fair share of the \$50 million in federal funds for tourism promotions.

We are now administering millions in federal funds that will create jobs and circulate more money into our economy. We have already found some \$5.7 million in set aside funds... and are seeking \$50 million more for highway improvements.

We reached out to the nation's leaders and they have embraced us. From the President and his Cabinet to the House and the Senate – the message was clear: Our voices are being heard and help is on the way.

BEGINNING OF HOPE:

We have done much in our first one hundred and twenty eight days in office. There is still so much more to be done to bring our government under control... to stabilize and expand our economy... and make the changes that benefit our entire community.

I have already spoken about two of the three major initiatives that we have or will embark upon—controlling government costs with reorganization, as well as Classroom Empowerment for education. Through outsourcing, privatization, reorganization and strong financial management... we will permanently reduce the cost of government and address the long-term fiscal challenges presented by federal caps and the retirement funds growing unfunded liability.

STATE OF THE ISLAND ADDRESS

Governor Felix P. Camacho

May 13, 2003

ECONOMY

However to truly achieve all this... we must revive and expand our economy – and restore stability to the lives of Guam's families. The way to improve your lives,... the schools that teach your children,... your basic services,... and the quality of life... is to stabilize and expand our economy.

ECONOMIC STABILIZATION PLAN:

On March 19th, I unveiled my Economic Stabilization Plan... to stop the downward spiral of Guam's economy and to position our island for new growth in the near future.

Our plan represents a realistic, incremental and measurable approach designed to create thousands of jobs... and restore revenues... with an economy that circulates more than \$3 billion dollars annually. While our goals are aggressive, our process is deliberate... measured by results.

There are clear steps that must be taken to stabilize our economy.

First, we must aggressively market Guam's number one industry – TOURISM. Sixty cents of every dollar in our economy comes from tourism... By reinvesting in our primary industry we are investing in everything else. That is why I am asking the Legislature to increase the bond amount to cover \$25 millions more for visitor marketing over the next two yeras. Our competition -- like Hawaii -- has already invested an additional \$5 million in Japan for post-war marketing alone. Reviving Guam's tourism industry will bring as many as 3,000 jobs back.

Guam Visitor Bureau General Manager Tony Lamorena and the GVB Board have arranged for a series of media events... with the assistance of the Guam Hotel Restaurant

STATE OF THE ISLAND ADDRESS

Governor Felix P. Camacho

May 13, 2003

Association... to heighten their awareness and appreciation of our island. GVB and other organizations are reevaluating Guam and the way we market our beautiful island.

Tonight, I will join the Guam Visitors Bureau on a trip to Japan to begin marketing Guam's summer campaign. Through the cooperative efforts of my Administration, travel wholesalers, travel agents, airlines, retailers and hotels,... we are targeting 180,000 visitors this summer. This will generate \$189 million dollars in our economy.

We will expand tourism and trade in a way that safeguards our U.S. democracy and the health of our island and nation. We will reach out to the world's largest market – the Republic of China – in a way that won't compromise the security of our nation, the values it upholds and the health of our people.

The Republic of China could potentially double our tourism arrivals and investment in two years. However, the health of Guam, our nation and China must remain our primary concern as we explore expansion into this new market. I ask that we keep the people of the Republic of China-- and other affected areas... in our prayers as they fight to overcome the dreaded SARS virus. I am confident that the world's medical community will find a cure to stop this threat of SARS.

We will adjust our marketing to include areas like sports tourism. In February, I met with the President of the Yomiuri Giants to invite the team to conduct pre-conditioning training on Guam. Nearly 300,000 visitors and over 2,000 reporters covered the Giants Spring Training in Miyasaki Japan. Even if we only host a third of those people, it would increase our arrivals by ten percent... and increase Guam's exposure in Japan... at no additional cost to our people.

STATE OF THE ISLAND ADDRESS

Governor Felix P. Camacho

May 13, 2003

Private entities – such as Leo Palace – are already tapping into the Sports Tourism Market, with their new world-class Olympic sized swimming pool, which just finished hosting Japan's swimming federation. Our local soccer organization has received more than half a million dollars from FIFA, the International Soccer Organization, to upgrade the facilities at the Robbie Webber Soccer Field – providing unending opportunities for our local and regional teams.

Our little leaguers are on ESPN ... Guam is the home of the world Jet Ski champion ... Guam competes in the Olympics. Our athletes have traveled to all corners of the world to compete – it's time to bring the world of sports to Guam.

In line with all of this work, I would like to thank Senator Lou Leon Guerrero for authoring the law, which I recently signed, establishing the Sports Tourism Taskforce to develop and promote this promising market.

We also are focusing on the military market. More than 80,000 troops and family members are stationed throughout Asia – all who need some time for a little R&R. I can't think of a better place for them to visit than the island where America's Day Begins.

But we won't stop at stabilizing our economy. Our goal is to diversify and increase Guam's economic base – expanding beyond our current potential.

TRADE AND NEW INDUSTRIES

We will focus our efforts on beautification and offer new attractions, such as Hagtña Revitalization and the expansion of the Gregorio D Perez Marina.

STATE OF THE ISLAND ADDRESS

Governor Felix P. Camacho

May 13, 2003

Our administration is working closely with the Fisherman's Coop to develop local fisheries and expand the Gregorio D. Perez Marina. Working with the President of the Guam Fisherman's Cooperative Association, Manny Duenas, we have already identified \$2.5 million in federal financing for the Hagatña Marina project. We support their efforts to expand local fisheries... and develop pier-side restaurants, shops and other attractions for our local cottage industries. I will revisit the concerns of both the Fisherman Co-op and GEDCA to remove any obstacles. Fisheries are a greater step toward Guam's self-sufficiency... and a key component of our economic expansion.

We are bringing in additional federal funding that Guam has not pursued in years... and are now asking for Guam's fair share of federal funds... that other states and territories have been receiving.

We are pursuing changes to federal restrictions that unfairly target Guam,... such as Headnote 3A and IRS Section 30A. Once successful, we then can compete on equal footing with other states and territories for international business.

We are finalizing plans to implement the Investment Visa Program that allows non-citizens to invest a minimum of \$500,000 into our island... in a company that employs 10 local people, in return for their Visa. This federal INS program helps local companies who need additional financial infusion. GEDCA will begin screening local companies for potential application.

I will pursue the Western Pacific Regional Governor's joint agreement to track long line fishing vessels within the Marianas and Micronesian economic zones. This will increase fish transshipment—increase the use of both ports of entry facilities and take advantage of our USDA inspection and approval.

STATE OF THE ISLAND ADDRESS

Governor Felix P. Camacho

May 13, 2003

We continue to seek federal funds to support the Guam Small Business Administration and the UOG Small Business Development Center whose incubator program I created. They have assisted thousands of local businesses—stabilizing our economy and fostering the dreams of our local entrepreneurs. Following Super Typhoon Pongsonga, SBA was at the forefront of helping our citizens rebuild their lives.

Next month marks the 50th anniversary of the Small Business Administration. I congratulate Ken Lujan and the Guam SBA office for all their work in promoting small business development on Guam.

Small business are the foundation of our economy... they employ the most people... adjust readily to the changes in the economy... and more importantly they allow our people to achieve their dreams. There is nothing small about the contributions these businesses make.

Today we are also aggressively pursuing and exploring other industries for our island. The Guam Economic Development and Commerce Authority is working to attract new industries from the world marketplace. Our proximity to Asia... the fact that we are an American community... and our telecommunications capabilities... all make Guam a very attractive investment. Together, we must strengthen GEDCA's ability to offer attractive and competitive packages to multinational companies who are looking for new markets.

Telecommunications, light manufacturing and other services have already expressed their interest in coming to Guam. But we must offer a better incentive package to match or beat our competition, such as Singapore and Taiwan.

STATE OF THE ISLAND ADDRESS

Governor Felix P. Camacho

May 13, 2003

But while we invite people to invest in our island, we must also fix our home. Our utilities, roads, and ports of entry must be reliable. We must transfer what services we can... to private sector companies to circulate tax revenue back into the economy... to create even more jobs. For example: Outsourcing the port's gantry cranes will spur port related activity and a new transshipment industry. We are moving toward the partial or full privatization of all utilities, ports of entry and other areas previously mentioned.

That's why I transmitted on April 14 proposed legislation to repeal and amend the provisions of law that prohibited privatization and reducing the cost of government. I ask for your support.

We are also moving GovGuam agencies out of Tiyan to circulate more tax dollars in Guam's economy.

Ultimately, Government must stop using public resources to compete against private enterprise.

Another part of our Economic Stabilization Plan includes pursuing increased military presence on Guam... and embracing our role as the United States' front line of defense. We are continuing to make the case that Guam welcomes additional military presence such as a full Air Wing for Andersen, a Carrier group for the Navy and the shifting of Marines from South Korea to Guam.

Finally, our government must remove outdated regulations and red tape that only serve to stifle the growth of our private sector. We must provide a business-friendly environment in our government... because one of our missions is to foster success in the dreams of the people it serves. That is the basic foundation of free enterprise.

STATE OF THE ISLAND ADDRESS

Governor Felix P. Camacho

May 13, 2003

This is our Administration's framework for recovery and expansion of Guam's economy.

There are many challenges ahead of us all. But there are also exciting times to come... as we will all play a part in laying the foundations for a stronger economy... a more responsive government... and an island community that supports the needs of all our people.

ENDING:

There comes a time when doing the right thing requires a fundamental change in the way we think, act and respond. Not in leaps and bounds – but in measured steps. This is that time ... a turning point for Guam and her people to set things right and fulfill our destiny – a time for boldness to bring success, prosperity and abundance to all.

In a crisis, it's hard not to be caught up in the anxiety around you, but we must not get so embroiled in the present that we forget the future. We as leaders must look beyond surviving and focus on achieving. This crisis presents us all a chance to stop wondering about our future and start making it happen. Our people depend on our leadership to navigate our way out of this social, economic and financial dilemma. Anyone can steer the ship, but it takes a leader to stay the course.

Let us reset the boundaries of our government, renew its purpose, and reshape it to one of service and stewardship. Personal choice and self-reliance are the hallmark of freedom and the root of our history.

We have set out on a course to restore the confidence of our people and the world in our island. United we will not fail and the sacrifices we make will only lead to a greater Guam.