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HEARINGS

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H.R. 6986

(H.R. 12984)

TO REQUIRE THE GUAM SHIPYARD FACILITY TO FUNCTION AT ITS MAXIMUM PRODUCTIVE CAPACITY, AND FOR OTHER PURPOSES

BEFORE THE

SUBCOMMITTEE ON MILITARY INSTALLATIONS AND FACILITIES

OF THE

COMMITTEE ON ARMED SERVICES

HOUSE OF REPRESENTATIVES

NINETY-FOURTH CONGRESS

SECOND SESSION

APRIL 6 AND 7, 1976



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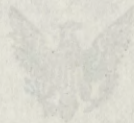
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U.S. GOVERNMENT PRINTING OFFICE
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[H.A.S.C. No. 94-54]

**SUBCOMMITTEE ON MILITARY INSTALLATIONS AND FACILITIES
HEARINGS ON H.R. 6986 (H.R. 12984), TO REQUIRE THE GUAM
SHIPYARD FACILITY TO FUNCTION AT ITS MAXIMUM PRODUC-
TIVE CAPABILITY, AND FOR OTHER PURPOSES**

HOUSE OF REPRESENTATIVES,
COMMITTEE ON ARMED SERVICES,
SUBCOMMITTEE ON MILITARY INSTALLATIONS AND FACILITIES,
Washington, D.C., Tuesday, April 6, 1976.

The subcommittee met, pursuant to notice, at 10:10 a.m., in room 2118, Rayburn House Office Building, Hon. Richard H. Ichord (chairman of the subcommittee) presiding.

Mr. ICHORD. The meeting will come to order.

The subcommittee meets this morning to hear H.R. 6986, introduced by our colleague on the committee, Mr. Won Pat, of the territory of Guam.

The bill is a very simple one.

[H.R. 6986 and H.R. 12984 are as follows:]

[H.R. 6986, 94th Cong., 1st sess.]

A BILL To require the Guam shipyard facility to function at its maximum productive capacity, and for other purposes

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Guam Shipyard Repair Facility Act of 1975".

SEC. 2. The Secretary of the Navy shall maintain and develop the Guam shipyard repair facility with the capacity for repairing naval vessels at the highest capacity that it has operated at in the past.

SEC. 3. The Secretary of the Navy shall study the necessity of maintaining shipyard repair facilities in the western Pacific not dependent upon foreign treaties or foreign workers, and shall report to the Armed Services Committees of the House and the Senate on his findings within six months from the date of this Act.

[H.R. 12984, 94th Cong., 2d sess.]

A BILL To maintain and develop the Guam shipyard facility, and for other purposes

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Guam Shipyard Repair Facility Act of 1976".

SEC. 2. The Secretary of the Navy shall maintain and develop the Guam shipyard repair facility with the capacity for repairing naval vessels at the highest capacity that it has operated at in the past.

SEC. 3. The Secretary of the Navy shall study the necessity of maintaining shipyard repair facilities in the western Pacific not dependent upon foreign treaties or foreign workers, and shall report to the Armed Services Committees of the House and the Senate on his findings within six months from the date of this Act.

Mr. ICHORD. Our colleague, Mr. Won Pat, has repeatedly brought to the attention of the members of the committee the declining work

activity in the Guam shipyard repair facilities, and the committee does share his concern.

So our first witness this morning will be our colleague, Mr. Won Pat. Tony, it's strange to see you at the witness table.

Do you have a prepared statement?

Mr. WON PAT. Yes, Mr. Chairman.

Just before I begin my statement I want to say that the bill I had introduced earlier has been reintroduced with several cosponsors; that is, H.R. 12984, of which I assume you have a copy.

Mr. ICHORD. Of course, the committee will be hearing both bills. They are identical, are they not?

Mr. WON PAT. Yes; they are identical bills.

I would like to read my statement because, although it's somewhat lengthy, it will not take very long.

Mr. ICHORD. Go ahead and proceed, Mr. Won Pat.

STATEMENT OF HON. ANTONIO B. WON PAT, A DELEGATE FROM THE TERRITORY OF GUAM

Mr. WON PAT. Mr. Chairman, and my distinguished colleagues of the committee, allow me to thank you for scheduling this hearing today despite the heavy workload of yourself and the members of this subcommittee and the great demands which are made upon your time and energies.

I am pleased to have this opportunity to speak on behalf of my bills, H.R. 6986 and H.R. 12984. I introduced the first measure in May 1975 to arrest further implementation of a Navy policy which has been having a great and adverse effect on the general welfare of Guam and its people, and which I believe is a weakening of our national defense posture in the Western Pacific.

Basically, this policy is to decrease utilization of the Navy ship repair facility on Guam and transfer work to similar facilities in Japan and the Philippine Islands at Subic Bay. At its high point of activity in 1969, the Guam ship repair facility employed a work force of more than 2,600 persons. This has been reduced to a present work force of 547. As recently as 15 months ago, the work force was nearly double that of the present. During the last year, more than 450 civil service jobs have been lost at this repair facility.

During the 8 months it took the Navy to make executive comment to this bill, it acquired even greater importance. Last month, the Navy announced this facility is scheduled for "realignment" with a planned decrease of at least 60 percent of the present workers and reduction of the facility itself to a caretaker status, or total closure.

With implementation of this plan, an additional 330 workers would be discharged and their jobs exported to facilities in foreign countries.

Guam has a total work force of 28,000 persons. Unemployment is more than 15 percent and is increasing rapidly. Last September, it was 9.6 percent. The ship repair facility workers whose jobs were lost last year represent nearly 1.7 percent of the island's entire labor force. The cut announced for this year represents an additional 1.2 percent. This would be disastrous for the economy of Guam.

Guam has long occupied a key position in the U.S. national defense posture. In the past, this has been considered so important that Guam

was regulated by the naval security clearance regulations under which few non-Guamanians were allowed to visit the island and even Guamanians residing off-island were required to have written permission from the Naval Bureau of Personnel to visit their homes. Such conditions existed until 1962, when President Kennedy rescinded that order.

The people of Guam are collectively very proud to occupy such a position in our national defense. They are extremely supportive of the military services and are presently serving in those services at a per capita rate more than six times the national average.

They have willingly fulfilled their role to the extent that the military still retains control of more than one-third of the entire island and an even greater percentage of its usable land. The services control the harbor and most of the agricultural land.

Mr. Chairman and members of the committee, I would like to point out on the map over there that the red areas indicate military land on Guam.

This huge loss of development potential has traditionally been offset by economic benefits from the Federal Government, primarily jobs for Guam residents. However, recent military policies have created imbalances to the detriment of Guam. I would point out that the Navy does not propose to eliminate any of its holdings on Guam, only the jobs. Although retaining all the assets, many hundreds of jobs have been eliminated. Apprenticeship training programs have been terminated, as was the one at Guam ship repair facility in 1975. Skilled workers have had to leave Guam to find employment elsewhere. Their talents were lost to Guam. Many were Guamanians who were sent to the U.S. mainland with Government-provided one-way tickets.

Ironically, most of these skilled workers were discharged while Navy officials have lamented in public testimony about the shortage of skilled workers being a cause for a perilous backlog of unperformed ship repair work. This situation was explained as recently as January by Adm. James Holloway, Chief of Naval Operations, and Vice Adm. Edward Cooke, Deputy CNO for Logistics, before the House Seapower Subcommittee. Increasing shipyard capacity and apprenticeship training programs were presented as current Navy goals to help solve Navy fleet readiness problems. Yet, at the same time, plans were being implemented to close a valuable ship repair facility in Guam, dissipate the skills of many hundreds of workers, and terminate a successful apprenticeship training program.

As recently as 2 years ago, 11 Navy ships were home ported in Guam, with dependents. Now only one remains. While transferring two squadrons away, it was announced they would be replaced by a squadron of larger ships. Those destroyers never arrived. Their orders for Guam were rescinded and they instead were based elsewhere, primarily Japan. Those ships were to have been maintained and overhauled at the Guam Ship Repair Facility. The Navy cited "economies" as a rationale. That is the rationale also presented for continued reductions at the Guam Ship Repair Facility. The Navy reported it is cheaper to have ship repair work done in Japan and the Philippine Islands.

Mr. Chairman and members of the committee, I believe this claim is not necessarily valid and that the Navy figures could most charitably be termed misleading. An analysis indicates Navy policies regarding

ship repair facilities in the Western Pacific are not the result of costs, but that costs, as reported, are the result of policies.

Repair costs are calculated in U.S. dollars per man-day worked at a facility. Approximately one-half of these cited costs is the result of relatively constant overhead expenses. Thus, as the number of man-days worked at any one facility is reduced, as a result of a policy of assigning less work to a facility, this large overhead cost is then applied to fewer man-days, increasing the cost for each. This rising cost is then used as a rationale for further policies of reduction. The reverse situation occurs at the facilities based in the Philippines and Japan, where work loads have been increased, artificially making them appear more economically attractive.

In short, the Navy is claiming that the caboose is pushing the train.

Mr. Chairman and members of the committee, it is obvious that present policies, which would be prevented by the bill I have introduced, are having a great adverse effect on Guam. However, what concerns me equally is that it is also a very poor policy for our national defense.

Recent history has included at least one serious lesson related to this matter. As I wrote to the President recently, "Maximum reliance on U.S. facilities located on U.S. soil results in the strongest national defense."

In 1973, U.S. bases in Europe and the Mediterranean region were denied to our use for implementation of a national policy. B-52's are based in Guam because they have been prohibited by local governments from using U.S. bases in Thailand and Okinawa. The U.S. nuclear submarine force stages out of Guam and is sent there for repairs because its ships are unacceptable in Japan, and the Philippines is not considered a secure base for them.

Japan also has restrictions on the use of facilities there by U.S. nuclear-powered surface ships of which we are building more. The United States does not have basing rights in the Philippines at the present time because of local governmental policies and our tenancy there is tenuous. Even very friendly nations such as Australia and New Zealand have imposed restrictions.

It is quite clear that reliance to some degree on U.S. bases located in foreign countries is not totally avoidable. It is equally clear that relying upon such bases more than the avoidable minimum is, to say the least, imprudent.

Present policy, which is the target of my bill, would place total reliance for ship maintenance in the Western Pacific on foreign-based facilities. The nearest U.S.-based facility would be in Hawaii, more than 3,000 miles to the east.

It is not necessary to detail the importance of ship maintenance. We have all heard masses of testimony by Navy officials and other authorities that the readiness condition of the U.S. fleet is limited because of material conditions. Admiral Cooke reported in January that the backlog of ship overhauls has increased from 21 ships in 1972 to 63 ships. Admiral Holloway reported a large amount of funded maintenance is deferred and cited lack of shipyard capacity as a cause.

Admiral Holloway also reported that this deferred maintenance is a matter of primary importance. The CNO also cited repair shipyard capacity as a primary reason why this backlog cannot be expected to be improved upon in 1 or even 2 years.

The Congressional Budget Office reported last month efforts to just keep even with the maintenance backlog is utilizing shipyard space which makes it unavailable for construction of new ships for fleet expansion.

The Government Accounting Office cites limited shipyard capacity as a cause of limited implementation of fleet modernization programs.

In summary, Mr. Chairman and members of the committee, the Navy policies regarding continued reduction of the Guam SRF are exactly contrary to what is needed to be done, according to Navy officials and other authorities. They would further reduce vitally needed ship maintenance capabilities.

The Guam Ship Repair Facility has the capability of relieving these major Navy problems. Full utilization of its resources could free construction shipyards for the making of new ships. The deferred maintenance and overhaul backlog could be diminished. That work has already been funded. Such a policy would relieve other Federal departments and agencies of financial responsibilities on Guam. It would retain the talents of skilled shipyard workers and allow the training of more.

Because of geographic isolation, activities on Guam, including those of the military, are interdependent to a degree rarely found elsewhere. For instance, although major overhaul and interim maintenance is the prime function of Guam Ship Repair Facility, it also dry docks nuclear submarines which regularly come to Guam for tender repair and to change crews. Six to eight submarines per year are drydocked at Guam Ship Repair Facility, which performs work to supplement the tender *Proteus*. The facility also provides extensive secondary mission services for other commands such as major overhaul of large motors and generators for the Naval Communication Station, loading and unloading ships for the Navy Supply Depot, repairing and recalibrating RADIAC and cryptographic equipment for the Naval Air Station, charging and repairing batteries for various commands, repairing ships of the Military Sealift Command, spectrometric oil analysis for Submarine Squadron 15 and Anderson Air Force Base, shaft and propeller refitting for the Naval Sea Systems Command, electronic module refitting for Naval Material Command activities, operating acoustic range facilities for fleet units and Submarine Squadron 15, and testing and certifying high pressure air containers for submarines and fleet units. The list is extensive and impressive.

Without Guam SRF, a few of these activities could be performed at Subic Bay. Some could be shipped to Hawaii. Others would have to be performed by local units, which would have to establish their own capabilities. Many of the important functions could only be performed 5,000 miles away on the U.S. mainland.

Mr. Chairman, many Members of Congress have often voiced our concern regarding defense policies which are supposedly justified by economies, but result in a weakening of our national defense. In principle, H.R. 6986 and 12984 oppose just such a policy. It would prevent further depredation of a facility the Nation already has too few of. It would reverse present policy of total reliance for material maintenance of our ships in the Western Pacific on a nation which has already severely limited access for our ships, or another which is governed by

a dictator, under martial law, and where our tenancy is already threatened.

It is false economy to greatly weaken a strategic part of the United States and create hardships for American citizens, all to benefit foreign countries and foreign workers.

It is unfortunate that congressional action is necessary to arrest further implementation of harmful policies, but such seems to be the case. Present military plans are extremely harmful to Guam. They are harmful to national defense. In the long run, they could be very harmful to the Navy's activities on Guam, which defense officials concede is strategically important to our defense posture.

Mr. Chairman and members of the committee, I again thank you for this opportunity to appear in behalf of my bill. Your interest in this matter, Mr. Chairman, and that of the other members of this subcommittee, is greatly appreciated by the people of Guam.

Mr. Chairman, the people of Guam are totally unified in their sentiments regarding this issue and I am receiving extensive correspondence regarding it. I would like to enter into the record a communication from Mr. Marvin Zamora, one of my constituents, and a resolution of the First Guam Youth Congress.

Thank you.

[The following information was received for the record:]

WRITTEN STATEMENT OF MARVIN ZAMORA, RESIDENT OF GUAM

Mr. Chairman and Members of this Committee: It is with great pleasure that I may testify on H.R. 6986 even though I am not personally appearing before this Committee.

It is very timely that this bill is heard today as the people of Guam are going through great economic crisis. A reduction of activities of the United States Navy Ship Repair Facility on Guam to a caretaker status would be a great disaster and would compound the economic recession presently existing on Guam.

Mr. Chairman, and members of this Committee, can you imagine what the impact of 360 to 500 jobs would have on our local economy, wherein our population approximately consists of 100,000? If we were to break this down in categories, approximately 24,000 military and U.S. civil service off-island hires, about 4,000 non-resident aliens and the rest would be local U.S. citizens, so we are now talking of a figure of approximately 72,000; and bear in mind that this approximately 72,000 local population includes women, children and elderly persons who would be dependent on the bread-earners of each household or a combination thereof. Just assume that the local population is between 72,000 and 80,000, thereby 360 to 500 salaried people would constitute approximately 1/16th of our local population.

If this lay-off were to take place, Mr. Chairman, can you imagine the effect it would have on the community as a whole, not only in the loss of salaries but also the loss of commercial business that has supported the ship repair facilities for the past 25 years. The loss of supportive activities by the other federal and military agencies, mainly PWC would have less equipment and operators to loan out to SRF creating another RIF in that department on a smaller scale. The Naval Supply Depot would also have less activities because of less supplies needed and the local government would lose income and sales taxes and most of these people would then have to rely on food stamps or go to welfare for subsistence until they find a new job, which is very scarce on Guam at the present.

Mr. Chairman, I cannot see the justification on the part of the Administration to close down the Ship Repair Facilities on Guam and relocate the workload to foreign bases, possibly in Japan and the Philippines. Is it not even an American policy whereby Americans are losing their jobs in favor of employment of aliens. As Guam is so close to these countries I know it is the policy of these foreign

governments that foreigners may not work in their respective countries. It is like an Act of Congress to get a work permit to work in a foreign country.

Mr. Chairman, I am requesting that your Committee report H.R. 6986 for a favorable and speedy passage in Congress.

I would like to thank you, Mr. Chairman, the members of this Committee and our Congressman A. B. Won Pat, who has done so much good for the United States and the Territory of Guam.

Thank you, Mr. Chairman.

FIRST GUAM YOUTH CONGRESS

1976 Regular Session

RESOLUTION No. 16

Introduced by: J. P. Castro, M. M. Aglubat, S. Q. Aquino, R. S. Aquiningoc, D. S. A. Atad, L. C. Baza, M. A. Capule, Z. M. Cepeda, J. T. Cruz, M. S. Duenas, L. D. Francisco, N. G. Gallego, C. J. Gumataotao, A. M. Kriss, I. I. Mafnas, B. J. U. Manibusan, Z. E. Maravilla, R. S. Mayo, C. P. Mendiola, J. D. Naputi, J. Perez, B. T. Punzalan, R. P. Quitugua, K. F. Reyes, R. R. Reyes, L. J. Rhodes, F. B. Santos, T. J. Santos, J. W. Taitano, R. J. Torres, and M. G. Wolf.

Relative to respectfully requesting and memorializing the Congress of the United States to enact H.R. 6986, presently pending before the House Military Installation and Facilities Subcommittee.

Be it resolved by the First Guam Youth Congress:

Whereas, it has come to the attention of the members of the First Guam Youth Congress that H.R. 6986, commonly known as the "Guam Shipyard Repair Facility Act of 1975," authored by the Honorable A. B. Won Pat, Guam's delegate to the United States House of Representatives, is presently pending before the House Military Installation and Facilities Subcommittee; and

Whereas, H.R. 6986, as presently drafted, requires the Secretary of the Navy to maintain and develop the Guam Shipyard Repair Facility with the capacity for repairing Naval vessels at the capacity that it has operated in the past and further requires that Secretary of the Navy to conduct a study as to the necessity of maintaining shipyard repair facilities in the Western Pacific not dependent upon foreign treaties or foreign workers and to file his report with the Armed Services Committee of the House and the Senate in six months from the date H.R. 6986 is enacted into law; and

Whereas, the people of the territory of Guam have suffered greatly as a result of last year's reduction in the work force at the Guam Ship Repair Facility and the recent announcement that there will be further layoffs at that installation will add a new burden on Guam's troubled economy; and

Whereas, the people of the territory of Guam have proven their loyalty as citizens of the United States of America, have suffered greatly under the invasion of Guam by the Japanese, and have contributed greatly to the defense of the United States, both in peacetime and in war; and

Whereas, Guam, as a result of the fall of Vietnam, has become extremely important to the defense of the United States of America and the recent announcement by various military officials that the reduction in force at the Guam Ship Repair Facility is mandated by the fact that repairs can be done more economically in foreign port is fallacious in that it ignores Guam's present position as a United States territory, Guam's strategic importance, and the proven loyalty of the people of the territory of Guam; and

Whereas, H.R. 6986, if enacted by the Congress of the United States, would insure that the Guam Ship Repair Facility would remain a viable entity contributing greatly to the defense of the United States and to the economy of the territory of Guam: Now, therefore, be it

Resolved, That the members of the First Youth Congress respectfully request and memorialize Congress to act favorably on H.R. 6986; and be it further

Resolved, That the Speaker certify to and the Legislative Secretary attest the adoption hereof and that copies of the same thereafter transmitted to the Honorable Richard Ichord, Chairman, House Military Installation and Facilities Subcommittee, to the Honorable Antonio B. Won Pat, to the Secretary of the Navy,

to the Secretary of Defense, to the Honorable Joseph F. Ada, Speaker, Thirteenth Guam Legislature, and to the Governor of Guam.

Duly and regularly adopted on the 3rd day of April, 1976.

JAMES P. CASTRO,

Speaker.

CANDELARIA P. MENDIOLA,

Legislative Secretary.

Mr. ICHORD. Thank you, Mr. Won Pat, for a very outstanding statement.

I might note that Guam is well represented on this committee. You do a very good job in bringing to the attention of the committee the military problems of the territory of Guam, and I certainly concur in your statement on page 5, where you said "Maximum reliance on U.S. facilities located on U.S. soil results in the strongest national defense."

As you are aware, the committee last year eliminated at least a couple of housing projects in the Philippines because of the uncertainty of the treaty with the nation of the Philippines.

Let me ask you this: You say you have learned that they are anticipating, or they are planning, another decrease of 60 percent of the present workers?

Mr. WON PAT. Yes. 330 out of 547 people. They are going to decrease 330 civilians, and they're talking about 3 military personnel.

Mr. ICHORD. That would bring you down to about 247.

Mr. WON PAT. Yes.

Mr. ICHORD. I think it is incumbent upon the Navy to give us some explanation for any such proposed decrease. Has the Navy given you any other reasons other than economics in the failure to use the Guam Ship Repair Facility?

Mr. WON PAT. Of course, the basic rationale is the economy, and they say that from the standpoint of operations they feel that it is more in line with the operation of the fleet out there in the Western Pacific to use the Philippines and Japan.

Mr. ICHORD. Have they signed any treaty obligations? Is that why they want to use the Philippines and Japan?

Mr. WON PAT. I could not answer that explicitly because I am not sure of any agreements with the United States with respect to maintenance or military use in those particular areas.

Mr. ICHORD. Well, we will hear from representatives of the Navy. I haven't had an opportunity to read their testimony.

Mr. WON PAT. You will recall, Mr. Chairman, as you just pointed out, that last year in the authorization request by the military we didn't, of course, approve their further request for funding because a new treaty was not fully negotiated and because of the political situation in the Philippines being questionable under President Marcos.

Mr. ICHORD. The gentleman from Virginia.

Mr. WHITEHURST. Tony, if I were in your position I would be reacting the same way you are. I would be right here pounding on the table.

Let me ask you something about the yard there.

You indicate in your testimony that it has the capability to over-haul submarines, is that correct?

Mr. WON PAT. Yes, sir. Right now we do have submarines out there. On my last trip out there representing the Military Compensation Subcommittee, I went with the submarine base commanding officer to visit one of the submarines that was in drydock.

Mr. WHITEHURST. In drydock?

Mr. WON PAT. Yes.

Mr. WHITEHURST. That's the point I wanted to get to.

Does the yard do a real full overhaul, or does it do the sort of things that have to be done in not a full overhaul but to achieve repairs that have to be done pending, say, an overhaul back in the States, or do they keep the submarine out there and do a full overhaul like we would do at the Norfolk Naval Shipyard down in my area?

Mr. WON PAT. The facility out there is capable of handling complete repairs.

Mr. WHITEHURST. Up to what dimension? Can they handle destroyers, frigates?

Mr. WON PAT. I think they can handle any type of ship excepting maybe the big carriers. That's the only ones which they couldn't handle.

Mr. WHITEHURST. How big is the drydock, do you know?

Mr. WON PAT. I wouldn't be able to describe that, but someone else more familiar with it from the Navy ought to be able to describe that.

Mr. WHITEHURST. Perhaps the Navy people could describe that, and give us that information when they come up.

Mr. WON PAT. It used to be that there were other ship drydock components there, which have been transferred elsewhere. The facility there had the capacity to repair practically any ship of the United States.

Mr. WHITEHURST. I guess what I'm really asking is could the work be done there as effectively as it's done elsewhere in the Western Pacific, let's say, at Yokosuka or Subic Bay?

Mr. WON PAT. Yes.

Mr. WHITEHURST. I've just glanced at some of the other testimony, and they say those facilities are more extensive. But we will come to other witnesses by and by.

This is all I have, Mr. Chairman.

Mr. ICHORD. The Chair recognizes the chairman of the full committee, Mr. Price.

The CHAIRMAN. Thank you, Mr. Chairman.

I'm sorry that I wasn't here for your full presentation, Mr. Won Pat, but having talked to you so many times on this particular subject, I know in substance what you have told the committee.

You do have a very serious situation there, and I think one that very serious attention should be given to, not only by this committee, but by the administration. We've got a very effective facility that we're thinking about eliminating; just on the basis of economics. If it is to be done on that basis, I think we have to think more of all areas of the economics, whether it would be economically sound for us to reduce this facility and practically put it in mothballs for a long period of time.

The situation is such in your area that this is the main employer. The whole economy of the island rests with the success of this operation, the financial significance of the operation, and one way or another that

need has to be met, whether it's met by a very usable facility that does a tremendous amount of important work for the Defense Establishment, particularly for the Navy, and is vital in the lifeline of the Navy, or whether it is taken up by some other type of Government assistance which doesn't in itself create anything except subsistence to individuals. This provides employment. It helps other areas of employment on the island. It does useful work.

I'm just not wedded to the idea that it isn't still an essential facility for the Navy to maintain, but I'm sure that Mr. Ichord's subcommittee will go very thoroughly into this matter, and I think they will take a real hard look at it and try to see what is the best solution, in the best interest of the Navy and of the Government and of the United States and in the interest of the people of Guam.

I think we owe it to the people of Guam to give a little bit of special attention to the situation, and the fact that you're having this hearing indicates that there is some special attention being given to it. But I think it should have a real hard look.

I'm sorry I won't be able to sit through the presentation of the Governor. I had the pleasure, thanks to you, of meeting him yesterday. I want to welcome him to the committee, and to assure him that this committee will go very thoroughly into this matter.

Thank you.

Mr. WON PAT. Thank you, Mr. Chairman. You have been very understanding and sympathetic with respect to our problems.

You will recall, of course, that I have discussed this matter with you several times. So, again, thank you on behalf of our people.

Mr. ICHORD. Thank you, Mr. Chairman.

The gentleman from Tennessee.

Mr. BEARD. I respect very highly the words of my colleague from Guam, and I think that every member of this subcommittee does, and the members of the full committee, and I think due to the fact of your personal interest in it, your personal involvement and your concern, we'll certainly be assured that this whole situation is looked at in a very detailed manner.

This is something that I am not familiar with, but just by reading your testimony I can see it is a serious matter, and I appreciate your fine testimony.

Mr. WON PAT. Thank you, Mr. Beard.

Mr. ICHORD. I would state to the members of the committee that the gentleman from South Carolina, Mr. Davis, has offered to go to Guam during the coming April recess, and look at these facilities. Of course, the Chair has other responsibilities and will not be able to make that trip. I would like to be able to make this trip myself, but I would hope that as many members as can possibly get away would accompany Mr. Davis to the island of Guam and, at the same time, look in and see what is going on in Japan and in the Philippines.

The Chair recognizes the gentleman from South Carolina, Mr. Davis.

Mr. DAVIS. Thank you, Mr. Chairman. First of all, I would like to congratulate my colleague from Guam on his fine presentation.

As he knows, and as the committee can well see, I'm a cosponsor of H.R. 12984 along these same lines. I think that this is something that we've got to give a deep, serious look, not only with the idea of effec-

tively meeting the needs of the Navy, but effectively meeting the needs and the concerns of the citizens of the United States of America.

I think this may be one instance where maybe the Navy may be pennywise and pound-foolish. Maybe it's an extension of our foreign aid bill that we should move something out of the work loads of U.S. citizens and move it into foreign countries. I just don't happen to agree with it.

You know, Mr. Chairman, it's an interesting fact, when we look at maybe the rewards of patriotism, the island of Guam has a higher percentage of volunteers in the military in the United States of America; a higher percentage of its population has volunteered than any other State of the Union. Also, it's suffered a higher per capita percentage of casualties of its citizens in the military service of the United States. So I would say that the people of Guam have demonstrated their responsiveness to the needs of America, and they've always acted responsibly, and I believe have produced an effective shipyard repair facility.

Mr. Whitehurst, I believe we may want to clear up one term here that you were talking about.

I don't believe they have a complete overhaul facility for subs there in the strictest sense of the word. This may be one of the arguments of the Navy. However, they do have the repair work and the maintenance work. Of course, if we had a major overhaul facility—I don't believe we have but two or three.

Mr. WHITEHURST. Would you yield?

Mr. DAVIS. I would be glad to, sir.

Mr. WHITEHURST. My whole thinking is perhaps we ought to look at the possibility of increasing those repair facilities and enlarging them, especially in view of possibly a precarious situation developing in Subic Bay.

Mr. DAVIS. This is exactly what I was going to say. You know, it's odd that the Navy should take this attitude on this facility when we are undergoing negotiations with President Marcos, and we have the immediate example, I would say, Admiral, of Rota, Spain, of what foreign powers are doing to our Navy. There you're going to be involved in spending millions of dollars to bring those subs back to our east coast in the United States.

So if you are willing to take the gamble, I would say to the Navy, "Let's look at the odds," but I would rather put my confidence in the American people of the island of Guam.

Thank you, Mr. Chairman.

Mr. WON PAT. Thank you, Mr. Davis.

Mr. ICHORD. The gentleman from Indiana.

Mr. HILLIS. Thank you, Mr. Chairman.

I want to apologize to my colleague for having to arrive late this morning. I had a couple of other commitments which I had to stop by first.

I will study your statement very carefully, and, of course, I have received a copy of the bill and your letter the other day.

I find myself very much in sympathy with your position in this matter, for it would appear worldwide that the emphasis today on our self-sufficiency in our military is to decrease our dependence on foreign

bases. Certainly the examples my colleague just cited are evidence of this.

I was reading recently in the Air Force magazine, in their defense of the new tanker called the advanced tanker cargo aircraft, that they carry aircraft to NATO with no stops. They can extend the range and the load of the C-5A, and this sort of thing. The whole tendency today is to not be in the position of being more dependent on foreign bases where political circumstances can change, and this to me, from a strategic concept alone, would justify what the gentleman is asking here.

Thank you.

Mr. WON PAT. Thank you.

Mr. ICHORD. I thank the gentleman from Indiana.

The Chair recognizes the gentleman from Florida, Mr. Bennett.

Mr. BENNETT. Mr. Chairman, as chairman of the Seapower Subcommittee, I recognize the lack of facilities, and particularly the lack of facilities in ship repair and overhaul, and this gives me a great deal of concern.

I'm glad that the Representative from Guam, Mr. Won Pat, is the vigorous, persistent individual that he is. If anybody can solve this problem, it will be he. There is no other Member of Congress, I think, who does a better job in taking care of his constituency than he does, and he's pleasant about it, but he's persistent about it. He never forgets, and he keeps on working, and I think that's what we need to do in this, and I feel that we should, as has been said, try to opt for American bases that we can feel secure about so they won't be held up by other nations in other places.

I just want to add my comment on the excellence of your service, and the hope that we can solve this particular problem.

Mr. ICHORD. I thank the gentleman from Florida.

The gentleman from South Carolina brings up a very interesting point here.

It is my understanding that negotiations for base rights in the Philippines are to begin April 12, and, as the gentleman from South Carolina has noted, here we are continuing to phase out the facilities at Guam. I can't quite understand this rationale, and I hope that the Navy witnesses will address themselves to it.

I know after we eliminated the housing projects in the Philippines one of the representatives of the Department of Defense came over to talk to me about the restoration of the same, and I just can't understand that rationale.

When you're dealing with base rights, obviously the construction that we were considering in the military construction bill last week is of considerable importance to the Philippines. But here we were going to go ahead and construct and then do our bargaining, and after talking to the representative, I think he more or less came around to my point of view of dealing with a little more firmness.

I'm beginning to wonder whether these things are really thought out, looking into the future as to what we are doing, both from the standpoint of the defense of the Nation and also from the standpoint of being in a good bargaining position to get base rights.

I think the gentleman from South Carolina has raised a very interesting question, which I hope the Navy witnesses will answer.

Thank you very much, Mr. Won Pat.

Mr. WON PAT. Thank you, Mr. Chairman, and members of the committee.

Mr. ICHORD. As our next witness we're very honored to have Hon. Ricardo Bordallo, Governor of the Territory of Guam.

Governor, it's a pleasure to have you with us. You do have a prepared statement?

Governor BORDALLO. Yes, sir.

Mr. ICHORD. You are recognized to proceed, sir.

STATEMENT OF HON. RICARDO BORDALLO, GOVERNOR OF THE TERRITORY OF GUAM

Governor BORDALLO. Chairman Ichord and distinguished members of this committee, Mr. Bennett, Mr. Davis, Mr. Whitehurst, and Mr. Hillis, I bring with me the warm greetings and good will of the people of Guam to this committee.

On behalf of the people of Guam, I think you and the members of this subcommittee for providing this opportunity to examine in depth proposed legislation and related information which is vitally important to Guam.

Congressman Won Pat's bill, H.R. 6986, would benefit Guam and its people and the strength of our Nation's defense by preserving a vital naval ship repair facility, the only one in the Western Pacific which is located on U.S. soil.

To present a comprehensive perspective of this matter it is necessary that an understanding be established of the unique history and conditions on Guam regarding its relationship, and that of its people, with the U.S. military services, particularly the Navy.

Guam was acquired by military action from the Government of Spain in 1898. From that time until World War II it was governed by whatever senior Navy officer was assigned the post of Navy Commander, Marianas. All of Guam's form of government was absolute military control. During this period the only activity of the island was related to military activities, and development of commerce with the outside world was prohibited.

In December 1941, Guam was invaded and occupied by the Japanese. There was only token resistance. Guam's public facilities suffered no damage at the start of the war.

In 1944, U.S. military leaders made the decision that prior to a liberation landing on Guam all possible shelters for the enemy should be destroyed. The island was bombarded and bombed continuously in June and July. The cities and villages were leveled. All public and private facilities were demolished.

Following Guam's liberation, the Navy Commander, Marianas, recommended rehabilitation of the island, and listed 18 construction projects for the civilian populace estimated to cost \$23 million. The list included utilities, hospitals, schools, and administrative facilities. In Congress, the House approved a bill with a limit of \$15 million. Senate action cut it to \$6 million.

In 1946, the Navy spent the \$6 million to construct a government building, police headquarters, and streets, sidewalks, and minor utilities in two towns. None went for schools, hospitals, or utilities.

In 1949, the Naval Governor of Guam recommended another list of projects to cost \$15 million. The Chief of Naval Operations cut that to \$10 million and added that it be spent over an 8-year period. The Navy then requested that proposal be shelved.

In that same year, the Federal Government transferred the administration of Guam from the Navy to the Department of the Interior and determined that a local government be established. Previously, under Navy administration, no local government was allowed.

In approving the Guam Organic Act of 1950, Congress stated all existing utilities and civilian-related facilities of the naval government be transferred to the new local government. The act went to great lengths to see that the new government had something with which to begin.

Mr. ICHORD. How many elected Governors have they had in the territory?

Governor BORDALLO. I'm the second elected Governor, sir.

Mr. ICHORD. You are the second?

Governor BORDALLO. That's right.

Mr. ICHORD. When were you elected?

Governor BORDALLO. In November 1974. I took my oath on January 6, 1975.

Mr. ICHORD. And you are elected for a 4-year term?

Governor BORDALLO. That's right.

However, during the 2 years the act was being drafted, the naval government initiated 43 actions of condemnation transferring much of the island from the Navy to the Federal Government itself. Thus, when the Organic Act became effective, the Navy had little remaining to turn over to local government. These actions included almost all the island's water facilities including wells, watershed, reservoirs, pumping plant, waterlines and easements, the electrical generation and distribution facilities, the highways, joint-use buildings such as hospitals, and, most importantly, 43 percent of all the island's land, including the harbor and agricultural areas.

The advent of civilian administration did not end Navy domination of Guam. The island was regulated for 12 more years by the naval security regulations. Under these rules, with few exceptions, no visitors were allowed to land on Guam by ship or plane. Even Guamanians living off-island were required to have written permission from the Naval Bureau of Personnel to visit their families on Guam. No commerce was allowed to develop with the outside world. The only economic activity of consequence was limited by regulation to that related to military activities. And the military still retained control of most of the useable parts of the island.

Thus, until 1962, when President John Kennedy abolished the naval security regulations on Guam, the island was without commerce or private sector economic activity, without civilian capital improvements because of an absence of income, and its people almost all lived and worked in Quonset huts and temporary wooden structures abandoned by the military after World War II.

In November 1962, Typhoon Karen's 180-mile-an-hour winds destroyed all those flimsy structures and literally blew them into the Pacific Ocean. The only civilian structures of note which survived were the legislature building and the police station, built with the \$6 million. The devastation of Karen did result in a great infusion

of Federal funding for rehabilitation of Guam. Thus, 1963 marked the start of actual development on Guam.

That was but 13 years ago. The improvements to Guam since have been impressive and important. However, that is not much time to correct basic economic imbalances established by policies during more than 60 years. Improvements in such areas have been more in degree than principle.

At this time, reflecting the long established pattern of military administration, of Guam's 28,090 persons in the labor force, 18 percent work for the Federal Government, 32 percent for local government, 15 percent are unemployed, and only 35 percent are employed in private sector jobs. The military services still retain more than one-third of the island, and a much higher percentage of its usable area.

An island which once had a self-sustaining native population of more than 50,000 and which during the Japanese occupation supported 25,000 residents and more than 5,000 occupation troops, now has almost no agriculture and imports more than 90 percent of its food. Although Guam is surrounded by ocean, there is no fishing industry because the Navy owns all the land around the harbor. For the same reason, although Guam is well situated on trade routes, there is almost no maritime industry. Guam's exports total less than \$10 million and imports are more than \$110 million.

These aspects are well depicted on this map of Guam. The shaded areas represent military-owned areas. I believe this background is important to show how the bill which is the subject of this hearing, and Navy plans announced since its introduction, affect Guam more vitally than similar matters would other areas of our Nation.

I would stress that although we of Guam are adamantly opposed to some policies regarding military activities on Guam, we are definitely not unfriendly to the services or insensitive to the importance of Guam to national defense.

Guamanians have amply demonstrated their strong support of the military. We allowed military domination of our island for many decades in the name of "military requirements." Guamanians suffered the highest per capita casualties of any U.S. area in Vietnam. On the same basis, Guamanians are voluntarily serving in our armed services at a rate of more than six times the national average. Last year the people of Guam wholeheartedly and unquestioningly received more than 110,000 Indochina refugees transported to Guam by military policy. Collectively, the people of Guam are very proud of their participation and their island's position of importance in national defense.

However, where as military services have always taken much from Guam, this loss of developmental potential has traditionally been offset by benefits, primarily in the form of employment. Navy policy is now disturbing this balance. Navy policies regarding the ship repair facility do not include disposing of any property, only the jobs of local workers which would be exported to foreign countries in the claimed interest of "economy," which is supported with questionable statistics.

Guam presently has more than 4,200 unemployed workers. Last year Federal employment on Guam decreased by 800 jobs. Of these, 460 were skilled workers at the ship repair facility.

Department of Defense studies have concluded that for every 100 Federal employees who lose their jobs, a ripple effect causes an average loss of 153 jobs in other areas of a local economy. This would indicate that 1975 cuts in Federal employment on Guam of 800 workers resulted in more than 1,200 other jobs being lost, for a total of more than 2,000 lost jobs, nearly one-half of all unemployment on Guam.

The Guam Ship Repair Facility had a peak work force in 1969 of more than 2,600 employees. Of these, approximately one-half were foreign nationals who have since returned to their home countries. However, more than 1,300 were U.S. civil service workers. The SRF now has 547 civilian employees. Of these, 330 are threatened with discharge this year by a recently announced Navy plan. The 750 jobs lost so far are the equivalent of nearly 2.7 percent of the entire labor force. Considering the ripple effect, those cuts amount to a total of 1,900 lost jobs.

The reduction planned for this year is 330 workers, or 1.2 percent of the labor force. The ripple effect increases that effect to 835 jobs.

These conclusions are based on a statistical average. Because of Guam's insularity, its narrow-based and tightly interrelated economy and extremely limited potential for replacement jobs, the effects there would be far greater than the average.

The secondary effects are also vital. The government of Guam is financially supported primarily by revenues through the Federal income tax system. Fewer jobs means less local government revenue. By Federal law, the government of Guam is precluded from imposing local income taxes, even if there were income to tax. A further decrease of 60 percent in a payroll of more than \$1 million a month could be calamitous. Local government already has had to cut back on vital services for lack of revenue.

I realize this is a situation not uncommon in many parts of our Nation. However, nowhere else is such adversity the direct result of deliberate Federal policies of discharging workers to export their jobs. While the Federal Government pays hundreds of millions of dollars annually to several countries for military basing rights, the Navy would deprive American citizens of jobs so as to utilize those bases. There is apparently some truth to the observation that the military services, in this case the Navy, would treat Guam better if it were not American.

Additionally, the Navy attempts to justify such indefensible principles as unavoidable economies. The Navy reports it costs more than \$142 per day for work in Guam. I can tell you I know of no Federal employee on Guam who has that level of income. The per capita income of Guam is approximately \$3,100 per year, less than that of any State and 40 percent below the national average. If Navy costs are high it is because Navy overhead operations are high, not the cost of doing work in Guam. Navy reports are based on falacious selective cost accounting. I would raise the question of whether the billions spent for basing rights are considered as costs in foreign countries and compared with the cost of property obtained by fiat in Guam.

Last year the work force of the Guam SRF was cut nearly in half. The Navy did not present an impact report of any type. No report was made as to the hardships caused to workers who cannot look to replacement jobs and do not have unemployment insurance, as no such

benefits are available on Guam. No consideration was made of the impact on the local general welfare caused by idled skilled workers who must let their talents dissipate, or which are lost to Guam by workers being forced to relocate from Guam to find jobs. No allowance is made of the skills loss caused by abandonment of apprenticeship training programs at SRF, losses to Guam and to the Navy.

Mr. Chairman, the people of Guam deserve much better from the Navy. The Nation deserves sounder defense policies.

It is unfortunate that legislation such as H.R. 6986 is necessary, that congressional mandate is necessary to correct poor Navy policy. However, it is obvious that such is the case. Not only are Navy officials unwilling to correct past errors, present plans are to compound them.

In addition to approving this bill, I ask the members of this subcommittee to make it absolutely clear to the Navy that there is no support for policies such as that concerning the Guam Ship Repair Facility. It is well within the immediate capabilities of the Navy to implement corrective action on its own. Also, that this subcommittee, by positive action, attempt to restrain the Navy from implementing presently planned further diminutions of the Guam Ship Repair Facility.

Present policies are bad for the Navy, they are poor for national defense, and they are disastrous for Guam. They must be corrected.

Mr. Chairman, thank you for this opportunity to appear in behalf of this matter which is of such urgency to the people of Guam. We deeply appreciate your courtesy in considering this matter and your interest in the welfare of Guam.

Mr. ICHORD. Thank you, Governor, for a very outstanding statement.

May I ask you if you still have Vietnamese refugees on Guam?

Governor BORDALLO. Approximately 1,000 of them have decided to make their permanent residence on Guam.

Mr. ICHORD. How many?

Governor BORDALLO. 1,000. The rest of them are now over on the mainland. Per capita that's quite a large share of these refugees.

Mr. ICHORD. What kind of employment have they obtained?

Governor BORDALLO. Well, we're having quite a bit of trouble, sir, because Guam, of course, has a very high unemployment situation, and we are just helping them as much as possible through our own welfare. We try to do all we can to assist in placing them, but not all of them are employed. There's a group of fishing people, a whole fishing village, that had the courage to stay in Guam, and they're beginning to learn how to take advantage of this resource.

Mr. ICHORD. How do they receive their welfare? Do they receive that directly from the Federal Government?

Governor BORDALLO. From our local government.

Mr. ICHORD. Or from your local government?

Governor BORDALLO. Yes. There's matching from the Federal Government, 50 percent. But we use our own resources to assist them.

Mr. ICHORD. You don't have an income tax in Guam. How do you get your revenues to match?

Governor BORDALLO. Well, we do have the same form of Federal income tax as other Americans and what taxes are paid by military personnel stationed on Guam stays in Guam. That's under section 30 of the Organic Act. In the meantime, we have the usual taxes of a State,

such as gross receipts or sales for real estate, liquor, gasoline, tobacco, admissions. So we generally have about the same type of tax arrangements as normally you would find in any State.

Mr. ICHORD. I can see why this reduction from 2,600, the high in 1969, to 547, I believe you stated, at the present time has been very devastating upon your economy.

How has this been occurring since 1969, 300 or 400 every year, approximately?

Governor BORDALLO. Of course, at the time I had no direct involvement in it, but I guess a sort of a piecemeal program of gradual phasing out.

Mr. ICHORD. You say you have 18 percent that work for the Federal Government. That would be in the area of 5,000 people, out of the total work force of 28,090, who are employed by the Federal Government.

Governor BORDALLO. That's right.

Mr. ICHORD. Most of it is military.

Governor BORDALLO. Yes, sir. Between Air Force, Navy, and even some of the civilian part of our Federal Government, such as the U.S. marshal, the district court, FAA, other Federal agencies.

Mr. ICHORD. So 50 percent out of your work force work for either local government or Federal Government?

Governor BORDALLO. That's very true. It's a very high Government employment area.

Mr. ICHORD. And you have 35 percent, out of the total 100 percent, that are either self-employed or employed in a job in the private sector.

Governor BORDALLO. That is right.

Mr. ICHORD. What is your principal export of Guam now? It's very low. You state "less than \$10 million."

Governor BORDALLO. That export really is misleading because it's not local resources. It could be a value-added portion of the value of goods in Guam for transshipment. Some of these would be scrap metal. So we really go down to practically zero. And what was the lifestyle just before the war? From being a productive society then, Guam was transformed totally into a consumptive society, so my whole challenge and commitment is to reverse the whole process. We are now developing extensively our agriculture and ocean resources. In my first year in office 8 percent was the maximum of any local vegetables and fruits consumed that were locally produced. It jumped to 32 percent in one calendar year since I assumed office. We are intensifying productivity.

Mr. ICHORD. What is your principal private industry, tourism?

Governor BORDALLO. Tourism is the one major viable industry.

Mr. ICHORD. I was in Guam during the war, but I only stopped there two or three times for refueling. Since the war I understand that a lot of the Japanese are using Guam.

Governor BORDALLO. They are our major tourist customers, around 85 percent of our tourists.

Mr. ICHORD. 85 percent of your tourists come from Japan?

Governor BORDALLO. Yes, Japan. The number is about 200,000 a year.

Mr. ICHORD. What do you mean on page 6 of your statement when you say: "I would stress that although we of Guam are adamantly opposed to some policies regarding military activities on Guam, we are definitely not unfriendly to the services * * *"? What policies are you adamantly opposed to?

Governor BORDALLO. Specifically, I think it would be the lack of flexibility to consider the land inventory that they have. We feel that

quite a bit of the lands in the hands of the military are really excess to their use. This is really one very vital area, that this resource become productive, and since that policy, I think, is very strong with the military, this is one area where the relationship with the civilian government is rather thorny.

Mr. ICHORD. What kind of land does the military hold that would be productive, and what could the land be used for? I think if the military is going to reduce their facilities this is something we should be considering. If they are going to reduce their facilities in Guam they had better start thinking about turning loose some of the land because you people have to live some way.

Governor BORDALLO. That, sir, is the one area that's of a very serious nature.

Mr. ICHORD. What kind of land do you have on which the Guamanians could make a living?

Governor BORDALLO. It embraces multiple categories generally. Agriculture is one. Some lands may potentially contribute to our tourist industry, because some of these are remote areas that have just about the nicest beaches, and they are not at all accessible in some instances. Some of these lands are still privately owned, but because of lack of access they're just totally not available for development. Other areas would contribute to the historical culture identity of the island, that would be some traditional towns which are now within the military reservations, not contributing to any real serious security requirements, but because of just the general policy of holding on to it. A lot of this could contribute to our cultural historical image, which is something that has hurt the image of Guam. People think it's been very recent that we've emerged into modern western society, but most people don't know that Guam was already quite westernized before the Pilgrims landed at Plymouth Rock in 1620. It's a lot of lack of information about the very tremendous progress of the people of Guam as part of a very historical western tradition within the Commonwealth of America.

Mr. ICHORD. How long is the island?

Governor BORDALLO. It's 30 miles long.

Mr. ICHORD. How wide?

Governor BORDALLO. Ten miles wide.

Mr. ICHORD. It goes from about 10 miles to about 6 miles?

Governor BORDALLO. That's right, east and west. The narrowest width is 4 miles.

Mr. ICHORD. Looking at the map there, I suppose the military does occupy some of the most usable land on the island.

Governor BORDALLO. Yes, sir.

Mr. ICHORD. So when you get down to the bottom of the map, I suppose, that is south, is it not, and the other part is north. The land is pretty unusable down in the lower part there in the interior, is it not? What kind of land is that?

Governor BORDALLO. That would be very mountainous land, and clay type, although clay type land is still usable for some specific types of crops like pineapples.

The non-Federal island is divided generally equal between that in the hands of the government of Guam and private property, so that the government of Guam and private property share roughly 50-50 of the balance of the land that is not in Federal hands.

Mr. ICHORD. Getting back to my original question then, it's mainly the use of the land that you are concerned about, not any military activity, or not any particular military activity? You're not opposed to any type of military activity that we might need in defense of our Nation?

Governor BORDALLO. Mr. Chairman, let me state that you're absolutely correct. Let me stress that to the extent that the homes of the people are available to the military any time the Nation's security needs it. We are just talking now of the normal relationships of recognizing a civilian population sovereignty, and for the sake of trying to move away from the liability column of the Nation's financial statement to the asset column. We would like to just be given the opportunity to develop so that we don't become that dependent upon the Nation's Treasury.

Mr. ICHORD. The gentleman from Tennessee.

Mr. BEARD. Thank you, Mr. Chairman.

First of all, let me state that this has been informative for me, and, as a matter of fact, I feel I know more about Guam and the Province of Guam as a result of the persistent input made by your fine representative and our colleague, who has, I think, done an excellent job in representing his area. So he's up here fighting all the time, I'll guarantee you that. So it's a pleasure to hear your testimony.

I would like to ask, in looking at the figures—and I'm kind of confused now—has the facility been cut in half since 1969?

Governor BORDALLO. From 2,600 to the present 547, that's more than half.

Mr. BEARD. That's more than half. I thought I heard "half."

Governor BORDALLO. That's 75 percent.

Mr. BEARD. Seventy-five percent.

Governor BORDALLO. Or more.

Mr. BEARD. Of course, part of the problem, in my view, which distresses me greatly, are the statistics we're looking at, inasmuch as our Navy in 1968, I believe, had something like 975 ships and now our Navy is down to 430 to 440, almost in half too as far as the number of ships active in our Navy, which I think is one of the big problems too, that really seriously concerns me.

Governor BORDALLO. I don't think we're looking at it in the same perspective, Mr. Beard. I think the point here is to just concentrate on our ships being repaired in foreign countries.

Mr. BEARD. That's what I'm trying to feel around on because I think your points have been well taken. What you are saying, in other words, that the shipyards, say, in Japan—

Governor BORDALLO. That's the issue.

Mr. BEARD [continuing]. Have not been diminished in size.

Governor BORDALLO. Even if it's diminished it's still a very large amount that we feel, in this particular case, I think it would be in the Nation's interest to "buy America," because the permanency, the security, is there, and, in fact, what other role would be logical for Guam. While we stress that it's a highly important part of America, and to the security interests of America, but then only look at it strictly under emergency conditions.

I think the development of that area should mean that Guam should contribute to the maximum, a permanent and dependable facility, and

if it's strictly the economy of it, I think, as I outlined in my statement, if we add many other cost factors, such as these treaty arrangements that makes us do other things for the foreign countries, it might still prove that Guam has a lower cost.

Mr. BEARD. Have we had much additional construction in Guam at this shipyard repair facility recently, say, in the last 4 or 5 years? I just wondered. Have we had any big building projects or built up our housing, or anything along these lines?

Governor BORDALLO. No. I wasn't directly in a position of government to voice my opinion at the time, but the first major indication that Guam was going to suffer greatly was when they moved two floating drydocks to the Philippines, the minute we saw that. That happened, I think, about 4 or 5 years ago, about the time that they were starting to reduce the strength of SRF, but that was obviously just because of perhaps cheaper labor in the Philippines. But they did move a floating drydock out of Guam and took it down to the Philippines.

Mr. BEARD. When did they do that?

Governor BORDALLO. I would tend to estimate. I'm sure the Navy people could come up with the exact time frame on that.

Mr. BEARD. I wonder how much cheaper it is in the Philippines versus Guam?

Governor BORDALLO. Well, they claim that it is too expensive on Guam, as I mentioned, \$142 a day, by whatever accounting system they use in this. But we don't have the ship repair facilities within our own continental United States. We still repair ships in either Hawaii or San Francisco. Why should there be a difference on Guam? Why do we look at Guam in a different light than we would some of our own irreducible minimum facilities right here in the continental United States?

And we certainly can't argue the fact that way out there in the Western Pacific there's an area that ships should always depend on and not worry about political insecurity. I think it's very, very justified that that be a very strong permanent ship repair facility for us.

Mr. BEARD. That's what concerns me, is the fact that we are tending to go in the direction, as was mentioned by our colleague from Indiana, of throwing our eggs in fewer and fewer baskets, and, of course, we're in a nice peacetime situation now which, to me, can change at any time, and when it does there's not going to be a button to push that's going to create all these facilities back in full stream again, and it concerns me.

But I do appreciate your testimony. It was extremely interesting.

Governor BORDALLO. I might add, Mr. Beard, that the people would not be adverse if, because of the economy, maybe we lost work to facilities on the mainland, because that's still American, and other communities have certainly had their facilities shut down, like the Boston shipyard, and so forth. But the only time it becomes to us rather unfair is when we see the foreign bases, foreign countries, benefiting in this area.

Mr. BEARD. Thank you.

Mr. ICHORD. What is the total population of Guam?

Governor BORDALLO. About 80,000 civilian permanent residents, 110,000 roughly total, if you count the military and transient residents.

Mr. ICHORD. What kind of labor laws do you have applicable to Guam? Do the Federal minimum wage laws apply in Guam?

Governor BORDALLO. Yes. But we do have our own local minimum wage, which is either equal to or slightly higher than Federal.

Mr. ICHORD. Either equal or higher?

Governor BORDALLO. That's right.

Mr. ICHORD. Can you give the committee any information that you have? You mentioned this disparity between labor cost in Guam and labor cost in the Philippines. Do you have any information about what type of disparity we're talking about?

Governor BORDALLO. I don't have the details here, but as far as wage standards, American wage standards, we're lower than the U.S. mainland. It's only minimum is where we are here. The Federal and the local government certainly has made the Federal minimum also apply, but when it comes to the blue collar and other standards, Guam is still behind the mainland. You take a first class mechanic, normally here in the States will get \$6 to \$8 an hour, where ours would be somewhere around \$4 to \$5. So we're generally behind the standards. Of course, the difference here, I think, is the strength of unions in the States, which in Guam haven't become that strong as far as collective organizations.

Mr. ICHORD. Are there any questions on my right?

The gentleman from Georgia.

Mr. BRINKLEY. Mr. Chairman, I also wish to join my colleagues in welcoming and expressing my appreciation to the Governor of Guam. The clarity of your testimony today, and as with the gentleman from Tennessee, has certainly provided me with a new dimension, an added dimension, in the understanding of the history of Guam.

I was particularly interested in the cultural comparison with the Pilgrims of this country and the earlier beginnings of the culture of Guam. I was interested to note the influence of the United States in Guam since 1898 and the progress since that time.

Of course, here again, we can't have it both ways. We can't expect Guam to preserve its soil for military purposes on the one hand without putting military functions and missions there, and at the same time expect it to be self-supporting in terms of agriculture, fishing, and other industrial ways.

So I think that it is laudable that you have come here to discuss this, and I wish to tell you that we share your concern, and we certainly respect the people that you serve.

It's a pleasure to serve on this committee with Hon. Antonio Won Pat, and for him we have much respect and admiration.

The question that I would like to propound relates to the Organic Act of 1950, which you have discussed.

I understand that Mr. Won Pat has a bill pending which deals with the statute of limitations, and I was wondering if during those 2 years during which the Organic Act was pushing for passage in the Congress, during which the naval government initiated 43 actions of condemnation, if the statute of limitations bill is applicable to raising that issue again in the courts.

Governor BORDALLO. I believe it has. But there was a bill that Mr. Won Pat had submitted awaiting in its appropriate committee for reconsideration and which would reopen the land takings on Guam.

The reason for this is, under the circumstances, of course, first of all, we were noncitizens at the time. Guam was then a possession rather than a territory, and the courts said due process did not apply in these cases. We had a naval government with naval personnel and judges to render these decisions.

So that's one area, sir, that I feel is a very strong moral case, and there seems to be some sympathy of Members of Congress, except there hasn't been much progress, I guess, yet, Mr. Won Pat, in seeing this bill passed.

Mr. BRINKLEY. That's a tough nut to crack when you begin to change the statute of limitations. But I would think that in terms of inequity and injustice it certainly deserves consideration, and it certainly deserves attention. It would seem that if it does receive that attention that there could be some reversionary feature through which inequities could be corrected, and that the reversion of some of that land, or the proceeds from that land, would go to the government of Guam.

I certainly express my interest in that legislation, and would be sympathetic to the needs of Guam.

I wish to thank you again for appearing here today.

Governor BORDALLO. Thank you, Mr. Brinkley.

Mr. ICHORD. The gentleman from South Carolina.

Mr. DAVIS. Mr. Chairman, thank you.

Governor, I also would like to take this opportunity to welcome you to this committee and thank you for your fine presentation.

I am familiar with some of the problems that you have faced on the island of Guam. Knowing your dedication to the people, I realize it is hard to be the second elected Governor, and to deal with such problems that would be thrown at you such as this.

Governor, I want to ask you one particular question.

In your statement you say there's no such thing as unemployment compensation, et cetera, available to unemployed people on the island, people who are released from their jobs, as there is in the U.S. mainland.

You also stated that there has been a diminution from 2,600 down to a little less than 600 jobs at the ship repair facility. Of those 2,000 people, how many of those have stayed on Guam?

Governor BORDALLO. The great majority of those, when you talk of the 1969 number of 2,600 top, almost one-half of them were aliens and were phased out.

Mr. DAVIS. They were phased out?

Governor BORDALLO. That is right. But roughly, as the statistics show, 1,300 were civil service people. But in last year's reduction in force of 400-some, the military did assist as much as possible to relocate these people, and many of them left the island. But, you know, this is a tremendous social—

Mr. DAVIS [interrupting]. This is what I wanted to get to in the point that I am raising. In other words, what the Navy does is says, "We will remove your job; we'll help relocate you."

Governor BORDALLO. Yes.

Mr. DAVIS. But what they are really saying to a Guamanian is, "You have to leave your homeland, leave your country, and go where we will

place you, or else become a part of public welfare, of which there is really none," correct? In other words, the choice almost is that if you lose your job you leave the island.

Governor BORDALLO. That is right.

Mr. DAVIS. In order to try to find another job.

Governor BORDALLO. That is because with the Navy at least they have other facilities. But general unemployment, the ripple effect of such action, leaves the people with very little choice. They can't afford to go to the mainland to look for jobs. It is too expensive, plus the fact that we do not have unemployment compensation.

Mr. DAVIS. Mr. Chairman, I have no further questions, except to just state to the Governor that this is a problem I believe we all are understanding a little bit more. Of course, we appreciate the efforts of Congressman Won Pat in these areas, and we thank you for traveling, really, just about 20,000 miles round trip to represent your people from the island of Guam in this important hearing. Thank you, sir.

Governor BORDALLO. I thank you too, Mr. Davis, and all the Members who have to travel to Guam. We would appreciate it, whenever you people can find the time. We know it is a tremendous sacrifice, because Guam really is not that important, I suppose, in the scheme of things, but to those of you who have come out there, the people are deeply grateful.

Mr. ICHORD. You say you don't have unemployment compensation. You do have all of the welfare laws, old-age pensions: disability pension, blind pension, et cetera.

What does your welfare bill run during the course of a year?

Governor BORDALLO. \$2.6 million, which is a 50-50 match with Federal Government.

Mr. ICHORD. And that is on a population of about 90,000?

Governor BORDALLO. Yes, that is right.

Mr. ICHORD. Of the \$2.6 million, approximately what amount is matched by the Federal Government?

Governor BORDALLO. 50 percent, sir. So that 1.3 would be Federal Government in this case.

Mr. ICHORD. The gentleman from Florida.

Mr. BENNETT. Mr. Chairman, it is an honor to have the Governor here, and we appreciate his having made this long trip. He has spelled out a lot of interesting things to me today to challenge me about Guam. I would just like to make observations about three of them. One of them is that the major thrust of his talk is about, you might say, the "buy American" idea. Why not do it in America?

You say you are not the main place that people want to go see on their trips, but you are our cousins, if not our brothers and sisters. You're in the family.

Governor BORDALLO. Yes, sir.

Mr. BENNETT. Therefore, it is always of interest to visit someone who is in your family. We should think about putting these facilities on American land, with American people there to do it, and you have sold me thoroughly that that's the thing we should do. That's the main thrust of your observation.

Governor BORDALLO. That is right.

Mr. BENNETT. However, there are two other things I would like to deal with. One of them is about the land use proposition. You stimulate

my thinking about this because I've been on this committee for a long time, and it is the first time this particular thought ever came to my mind. That is the idea that the military might not want to give up all this land because in a serious military situation they might have to have it. But I remember living in the Hawaiian Islands for a while, and they've got land there that I guess can never really be entirely owned by anybody. They have a concept about it which is a little different than the ordinary concept of land.

Maybe if the subcommittee here or the full committee could look into the idea of releasing some of this land on a long-term lease, some reversion which would be short of actually giving it up so that it would not have to be condemned or retaken. But, after all, if a man has a fairly good security of knowing that he can raise crops on a land for, say, 4 or 5 years with no real chance of its being taken away from him, he might mount some sort of interest to do it. That is something that ought to be looked at. Maybe the Navy could let some of this land go, actually get rid of it, because it's reduced in size; or maybe it could let some of this land go in a way that they could recapture it if they needed to do so. An economy could build up, particularly the attractive places where the tourism could be stimulated, and where agricultural pursuits could be made. I think we ought to pursue that.

The third thing, I can't help but come, in a sort of an avuncular way, to the Navy's defense because, you know, I would hate to think that the people of Guam ever feel averse to the Navy. I don't think they would have good grounds for doing so if they did. Because what's at the bottom of your trouble with the Navy? At the bottom of your trouble with the Navy is that the Office of Management and Budget has told them how much they can spend, so they have that much money, and they have these obligations. So, they have to fit the two together, and when you fit the two together you can't always come up with something which someone would like to see you do. Injecting this idea of "buy American" might save you.

But that's not really what the Navy's been asked to do. What the Navy's been asked to do is to do it as cheaply as possible within certain very tight limits. Now, the Office of Management and Budget is not the ultimate scapegoat, however. The real scapegoat is the U.S. Congress. Congress decides the priorities. Congress decides whether it is going to spend money in expanded foreign aid, or expanded food stamps, or whatever it may be, and after it has spent all this money on these attractive or unattractive programs, then it goes back to the Secretary of Defense and says how much is going to be left for defense. Of course, it ought to be exactly the reverse. We ought to be defending first. We have to exist before any of these delightful programs can exist with any security in the future.

So there is no way the Congress can really escape, but we can point our fingers at the Office of Management and Budget, but, really, they say, "You give us the money, Congress. You levy the taxes. You give us the money; you give us the priorities, and we'll do it, and we'll tell the Navy, 'Go ahead. You can have a good, fine facility on Guam.'"

So basically it's we in Congress who have this responsibility. I hope it can be solved, but I don't know what to do about it by just pointing a finger at the Navy and saying the Navy's your mad enemy, or even

the Office of Management and Budget. Of course, the Congress is not your enemy either. Congress just has the lead in the bullet.

Governor BORDALLO. Thank you, sir.

I want to be clear that we don't point the finger at the Navy. Like you say, it's a matter of how able they are to, in fact, do something, but if they can't. But this is the way we felt the information actually should flow to the Congress and to this committee.

But we always want to keep very excellent relations with the Navy. They always get our full support.

Mr. ICHORD. I would state in that regard that the gentleman from Guam, as I stated previously, represents the Territory of Guam very well and has developed a real unique way of bringing up this matter in this legislation.

This committee has always been reluctant to get into these matters of closings, because we would be spending a great deal of our time on such matters. Due to the respect that we have for the gentleman from Guam, and also because of the unique way that he has approached this, the committee felt that we would have to thoroughly consider this bill. He may have something here that we can move in and help to alleviate the situation.

The gentleman from Guam, do you have any questions at this time?

Mr. WON PAT. Thank you, Mr. Chairman.

I would reserve any questions to the other witnesses. I have spoken with the Governor since he came in yesterday, and we have discussed, of course, this problem. So with that, I'll yield back the rest of my time.

Mr. ICHORD. I thank the gentleman from Guam.

Thank you again, Governor, for your very informative testimony.

Governor BORDALLO. Thank you, sir.

Mr. ICHORD. The next witness is Vice Adm. Edward W. Cooke, Deputy Chief of Naval Operations, Logistics.

Admiral, do you have a prepared statement? You are recognized to proceed, sir.

STATEMENT OF VICE ADM. EDWARD W. COOKE, DEPUTY CHIEF OF NAVAL OPERATIONS (LOGISTICS)

Admiral COOKE. Mr. Chairman, I'm Vice Admiral Cooke, Deputy Chief of Naval Operations, Logistics. I am here to testify on H.R. 6986 which deals with the Navy's ship repair facility at Guam. I have with me Rear Adm. C. R. Bryan, Director of the Ships Maintenance and Modernization Division, and Rear Adm. J. S. Kern, Director of the Logistics Plans Division.

Ship Repair Facility, Guam, is a depot-level, industrially funded maintenance activity operated by commander in chief, U.S. Pacific Fleet. Naval shipyards, in comparison, are also depot-level, industrially funded maintenance activities, but are under the cognizance of commander, Naval Sea Systems Command, and are larger than SRF's with more capability.

The Navy Department and Department of Defense oppose enactment of the section of this legislation, which directs that the Navy operate the ship repair facility at Guam at the highest capacity at which it has ever been operated.

The maximum production of SRF, Guam occurred in fiscal year 1969, when the average production man-days per day were 1,766. The capacity requires an employment of 2,608 people, which was achieved in fiscal year 1969. Another interpretation of capacity is the employment which can be supported by the facilities on a normal industrial one-shift basis, which is 1,600. These numbers may be compared with the current employment of about 500. Operating at these levels would quintuple or triple operations.

With current civilian personnel ceilings, an increase in the work force at the Guam Ship Repair Facility would require a corresponding reduction in other areas. The Subic Bay and Yokosuka Ship Repair Facilities are at the best locations to support current fleet operations.

The use of the Guam Ship Repair Facility by a significantly greater number of ships, as anticipated by this bill, would in current peacetime conditions limit the flexibility of the fleet to carry out its tasks in support of national policy, would increase the response time to contingencies, and would increase the transit time from operating areas to ship repair facilities, thereby causing a subsequent decrease in readiness and increase in costs. The Guam facility is important not so much for its role in peacetime servicing of the fleet but for its availability to meet contingency needs.

The primary purpose for SRF, Guam is to support contingencies. The continuing need for economy in the Navy dictates a reduction in support costs, in order to avoid reductions in combat force levels. Consequently, the Navy is considering a reduction of the size of SRF, Guam by about two-thirds of its work force. We recognize that this would have a serious impact on the economy in Guam, but it is a step that must be considered.

Section 3 of the bill would direct the Secretary of the Navy to study the necessity of maintaining shipyard repair facilities in the Western Pacific not dependent upon foreign treaties or foreign workers. This subject will be included as part of the study that will be undertaken to permit decisions on the proposed realignments announced by the Secretary of the Navy on March 17, 1976. Studies to evaluate these proposals will include environmental and social economic impacts, as well as evaluation of economic and military benefits.

That completes my statement, Mr. Chairman.

Mr. ICHORD. Thank you very much, Admiral Cooke.

You have not in your statement addressed a lot of the questions raised by the gentleman from Guam and the Governor of Guam.

You state that:

The use of the Guam Ship Repair Facility by a significantly greater number of ships, as anticipated by this bill, would in current peacetime conditions limit the flexibility of the fleet to carry out its tasks in support of national policy * * *

Of course, I guess we could say that it is national policy to do this work that could be done in Guam in the Philippines and in Japan. Is that what you are saying?

Admiral COOKE. What I mean by that, Mr. Chairman, is we have commitments to have our ships deployed in the Western Pacific, and the Yokosuka and Subic Bay Ship Repair Facilities are in a better

position because they are closer to the operating areas where we normally deploy the fleet. That's what I meant by that.

Mr. ICHORD. What is the repair facility at Subic Bay? Is it a depot-level, industrially funded activity? How is that run as compared to the facility on Guam?

Admiral COOKE. The Subic Bay facility is the same type of organization as the ship repair facilities at Guam. It is a ship repair facility, industrially funded, and operates under the same general rules.

Mr. ICHORD. How many employees do they have at the facilities in Guam, and in the Philippines?

Admiral COOKE. In Subic Bay, they have about 4,000.

Mr. ICHORD. Give me the exact number in the Philippines.

Admiral COOKE. Yes, sir. At the end of fiscal year 1975 Subic Bay had 4,420 foreign national employees, and 67 U.S. civil service, for a total of 4,487.

Mr. ICHORD. A total of 4,487, with 67 American civil service employees?

Admiral COOKE. Yes, sir, that is correct.

Mr. ICHORD. What is the primary reason you are using Subic Bay as compared to Guam?

Admiral COOKE. The primary reason is it's closer to the deployed areas, the operating areas, of the fleet, sir.

Mr. ICHORD. Then it's not a matter of economy necessarily?

Admiral COOKE. It is a matter of economy also, but the primary reason is the location of the facility with respect to the operating areas, the normal operating areas. The economies come in different forms: the economy in uses of ships. As Mr. Beard pointed out a short time ago, we have less than half of the peak number of ships that we had in 1968, and we need to use those to their maximum efficiency. If we were to run those ships from the operating areas of the 7th Fleet to Guam for the normal upkeep periods, it's a round trip time of about 10 days.

Mr. ICHORD. Now Guam is the only Western Pacific facility that we have that is on U.S. soil, is that correct?

Admiral COOKE. That is correct, sir.

Mr. ICHORD. So that when we talk about in the legislation a Western Pacific facility on U.S. soil, we are talking only about Guam, as a practical matter?

Admiral COOKE. Yes, sir, that is correct.

These cost savings are: The cost of running the ship that far, the fuel involved, and there is also a difference in the cost of doing the work at the ship repair facilities between Subic Bay and Guam.

Mr. ICHORD. Of course, the wage scale of the Filipino workers is much lower, I suppose.

Admiral COOKE. Yes; that is right.

I was privileged to be here and hear the Governor explain his position, and I appreciate that.

From perhaps my slightly narrower viewpoint, I would disagree on one thing that he said, that is the wage scales. The wage scales in Guam are about the average of the U.S. shipyard wage scales. We have regular wage board surveys each year conducted in 26 different areas in the United States, and the wage scales are based on those. The Guam wage scales are the average of those U.S. costs.

Mr. ICHORD. What kind of wages are we talking about here? With the approximately 4,400 employees that you have at the shipyard at Subic Bay, how much does it cost per year to run those yards? Has that been running at about the same level of operations over the last several years as Guam?

Admiral COOKE. Let me answer the money question first, if I may, sir.

For fiscal year 1975, the payroll at Subic Bay was \$11.7 million. The payroll at Yokosuka was \$17 million. The total payroll in Guam was \$14.1 million.

Now, as regards the number of employees—

Mr. ICHORD. Now, this is 1975 that you're talking about?

Admiral COOKE. Yes, sir, fiscal year 1975.

Mr. ICHORD. Where are the facilities in Japan?

Admiral COOKE. \$17.2 million was the payroll in fiscal year 1975.

Mr. ICHORD. And that's at what city in Japan?

Admiral COOKE. Yokosuka.

Mr. ICHORD. All right. Let's get a comparison of the number of employees that you had, at Subic Bay, in Japan and on Guam in 1975.

Admiral COOKE. At Subic Bay the total employment for fiscal year 1975, the average is 4,511.

Mr. ICHORD. So you have been reducing in Subic Bay too?

Admiral COOKE. Yes, sir. That is down from a peak in 1970 of 5,790.

Mr. ICHORD. 5,790 in 1970?

Admiral COOKE. Yes, sir.

Mr. ICHORD. All right. How about Japan now?

Admiral COOKE. In Yokosuka, Japan, the average for 1975 was 1,550. That is down from a recent peak of 2,627 in 1969. Now, going back much earlier, in 1963 and in 1964, it was higher than that.

Mr. BENNETT. This is recent years.

Mr. DAVIS. Would the gentleman yield?

Mr. ICHORD. I'll yield to the gentleman in just a minute.

What about Guam? What did you have in 1975? About 500 or 600, was it not?

Admiral COOKE. Yes, sir. I can give you those figures. In 1975 we averaged 837 because we were coming down. About 570, I believe is the figure, right now, but we averaged in fiscal year 1975, 837.

Now, let me stop here to point out the Guam employment figures, because we're talking about two different things. The peak in Guam in 1969 was 2,608 people, but that included 1,376 Guam residents, that is, U.S. citizens, and it included 1,232 foreign nationals who were there on contract.

Mr. ICHORD. How many Guamanians did you have employed there at that time?

Admiral COOKE. The 1,376 is almost all Guamanian residents. There's probably—I don't know the number. I'll ask Admiral Bryan if he knows. I think there's a small percentage of citizens from the U.S. mainland who went out to Guam when we built up to that peak of employment, and I don't know that number right now. I'll see if we can find it here.

I don't have that number now.

Mr. ICHORD. Of the 547 who are now employed how many are Guamanians?

Admiral COOKE. They're all Guamanians except for probably 10 people, or maybe less.

In fiscal year 1975 there were 13 foreign national employees still on Guam. I believe those have all gone now. I'm not absolutely certain of that.

Mr. ICHORD. I yield to the gentleman from South Carolina.

Mr. DAVIS. Following along those same lines, since you have the cost figures, Admiral, could, in relation to that answer, I have a couple questions.

Insofar as Subic Bay and the Japanese are concerned, what are the costs of our base rights there annually?

Admiral COOKE. No, sir, Mr. Davis, I do not have that information.

Mr. DAVIS. Could you supply that for the record?

Admiral COOKE. I'd be very happy to supply it.

Mr. DAVIS. Because that figure should also go on top of the cost of \$11.7 million and the \$17.2 million, whereas, of course, there are no cost of base rights on top of the \$14.1 million.

Admiral COOKE. Yes, sir, I'd be pleased to provide that for the record. (See p. 41.)

Mr. BENNETT. May I ask a question?

Mr. DAVIS. I yield to the gentleman from Florida.

Mr. BENNETT. I'm just curious how we get this arrangement about pay. Is that a statutory requirement that you average in on the U.S. blue collar workers, and come up with the wage scale for Guam?

Admiral COOKE. It's a statutory requirement that we conduct the wage board surveys. It was, I believe, an administrative procedure that we determined we should average it out for Guam.

Mr. BENNETT. If you average it out for Guam as you average it out to the nearest place like in Florida, you'd have to average it out to the Philippines and Japan, like we average in Pensacola.

Admiral COOKE. Yes, sir.

Mr. BENNETT. Is it possible that part of the damage done to Guam is overpricing this labor? We overpriced the labor in the maritime industry in our country. Now, we don't have any maritime industry any more, or practically none. We overpriced it in the railroads, and the same thing happened to that.

Now, it's all very nice for the individual person who holds this job to say he isn't going to have his job cut, but if the overall economy of Guam is being looked at, it might be that it would be to their advantage to do a little averaging of somebody else besides the base at Jacksonville, or Charleston, or New York, to arrive at the wage in Guam. Maybe you should have some input from Japan and the Philippines, who are really their competitors, and then you would have them on a more competitive basis. You would still have these days of transit, which I realize would be red ink to a degree, but it's not entirely red ink because some of your operations are involved in getting around in the sea, in training, and things like that. So it is not a total loss.

But I'm just trying to help the Guamanians find an answer, and maybe one of the answers—and it might be a hard one for them to buy—but maybe one of the answers is for them to have a different way of arriving at the wage scale in Guam. It could be.

Admiral COOKE. That's possible, Mr. Bennett.

Mr. BENNETT. You're holding it against them because it costs so much, and the only reason it costs so much is because you decide in the

Navy that you want to average New York and Philadelphia into their pay instead of Japan and the Philippines.

Mr. BEARD. Would the gentleman yield?

Mr. BENNETT. Yes.

Mr. BEARD. I think you hit on a very valid point as to the prevailing wage concept. I know on work down in Fort Campbell they pay the prevailing wage for a watershed area, or whatever it was, so they go all the way up to Louisville, where the highest rates are, and that's how they end up paying the prevailing wages, which are way inflated wages, as far as Clarksville, Tenn., goes.

How do they establish the prevailing wage for Guam, do you know? That's a different thing though. There is no prevailing wage rate currently in Guam.

Admiral COOKE. There is none, really. The nearest activity to which we could compare it is Pearl Harbor.

When the decision was made that the prices at Pearl Harbor were a little higher than the others, the administrative decision was made to take the average of U.S. shipyards.

I cannot comment further on that. I'm aware of the procedures we are required to follow in these wage board surveys, but I am not aware of the statutes nor the philosophy behind it entirely.

Mr. BEARD. I don't want to think of problems like at the PX down in Camp Lejeune, N.C. The wage board comes in, without any regard to profits, costs, or anything, and just says, "In looking at the outside, at another area, your wage should be."

Mr. ICHORD. What are you talking about? You're talking about construction work now, aren't you?

Mr. BEARD. Oh, no.

Mr. BENNETT. No. The blue-collar workers who work in airplane repair facilities, ship repair facilities, their jobs. Their wage is arrived at by averaging comparable industry rates in their area, and the big question that comes in is: Where is your area? And then there's the unions at various places, the activist people in the places who are drawing the wages, obviously try to bring in the most expensive they can in your area, and undoubtedly the people working in Clarksville versus Louisville ought to be included.

Now, that's all very good, except when you start getting on a competitive basis of whether your base is going to remain open, and I've explained that to my folks in Florida. They're always trying to get something more expensive, and different, and that sort of thing, and average it in, and say, "OK, you can do that. Maybe you can persuade somebody. But in the end you may wind up not having a job." They may close the facilities in Jacksonville because they're no longer competitive with someone else.

We can decide if Guam should have an average of a certain kind. It requires courage on the part of the Governor, and on the part of Mr. Won Pat, and on the part of ourselves to make these decisions. But if we are really trying to save Guam from the loss of these jobs, we should be willing to look at how their pay is arrived at, and how that comes into the competitive picture, and it might be to their advantage to start averaging in something a little closer to themselves, than New York, in arriving at a wage rate.

Mr. ICHORD. I still haven't gotten a good understanding, Admiral, by going over these figures, \$11.7 million for Subic Bay with 4,511

employees in 1975; \$17.2 million in Japan, with 1,550 employees; \$14.1 million in Guam with 837 employees.

I don't know anything about the level of work that is being done. Let's lay this thing out on the table, and talk fairly bluntly.

I think that the gentleman from Florida may be making a very good point.

What about the quality of your work force? Give me your honest assessment of your shipyard workers in Guam as compared to shipyard workers in the Philippines.

Admiral COOKE. I think they're equal. I don't say that lightly. I've asked this question recently of the officer who commanded the ship repair facility at Guam, as regards to quality. I've looked at the work that comes out of Subic Bay. I think they are equal. They are talented craftsmen. It's good work.

I can clear up the other aspect of this, to put it in perspective on these costs, by telling you that the rate at which we are charging for work to the Navy—to the Navy, now—in Guam today is \$142.20 per man-day, that we're charging at Subic \$18.96 per man-day.

Mr. ICHORD. How much?

Admiral COOKE. \$18.96 per man-day.

Mr. ICHORD. And how much at Guam?

Admiral COOKE. \$142.20, and Guam is roughly equivalent to a U.S. shipyard.

Mr. ICHORD. What kind of work are you talking about in this \$142.20?

Admiral COOKE. That's the average estimate we're charging for a man-day work at the ship repair facility.

Mr. ICHORD. How is that figure computed? You're not saying that the average employee takes home that much pay?

Admiral COOKE. The average employee will take home about \$55 a day. That's a rough figure. The direct labor cost of \$142.20 is \$73.40, but that direct labor includes his pay for the day; it includes all the benefits: his sick leave, his annual leave, retirement, that sort of thing. It's all computed in there.

Mr. ICHORD. Where do you get the rest of the \$142.20?

Admiral COOKE. The other comes in overhead, the other \$68.80 per day.

Mr. ICHORD. What are you counting in as overhead?

Admiral COOKE. Overhead is the professional labor that is not directly chargeable to the job, administrative costs, people who handle paper work and do expediting, and that sort of thing, the security, and all the indirect overhead charges. Then there are \$50.92 of other overhead costs, outside of labor. That includes utilities and a whole variety of consumable supplies.

Mr. BENNETT. Are you saying that it's seven times as cheap to do it in the Philippines as it is in Guam?

Admiral COOKE. That is correct, sir.

Mr. DAVIS. Along those same lines, sir, what's the hourly pay scale in the Philippines? What are you paying there?

Admiral COOKE. The average is 57 cents.

Mr. DAVIS. 57 cents an hour?

Admiral COOKE. Yes, sir.

Mr. BENNETT. And what is it in Guam?

Admiral COOKE. \$6.24.

Mr. DAVIS. They're doing better than the plantation owners used to do. [Laughter.]

Mr. ICHORD. But, of course, that is the going wage scale in the Philippines.

Admiral COOKE. Yes, sir.

Mr. ICHORD. And of course the Filipinos are happy to get the jobs.

Admiral COOKE. Yes. The wage scales are negotiated directly with the employees, sir.

Mr. ICHORD. Now break down the Filipino cost per man-day, as you did for the Guamanian cost.

Admiral COOKE. The direct labor is \$6.56. Overhead is \$12.40, and of that overhead, that \$12.40, do you have the indirect labor?

Admiral BRYAN. Yes. It's \$3.76 overhead, supervisors. \$3.76 out of the \$12.40 is indirect labor and the remainder is these other categories, utilities, and so forth.

Mr. BEARD. Would the gentleman yield?

Mr. ICHORD. Yes; I'll yield.

Mr. BEARD. You mentioned that it's a 10-day round trip from the operations there to Guam. How long a round trip is it to the Philippines?

Admiral COOKE. I was saying that from the operating areas to Guam, that is correct, and to the Philippines it's 1 day. It's a couple hundred miles off of Subic.

Mr. BEARD. From the major operating areas?

Admiral COOKE. From the major operating areas of the 7th Fleet.

Mr. BEARD. What about Japan?

Admiral COOKE. Japan, the trip from those particular operating areas, is 1,300 miles. But then we have other operations in the Japan-Korea area, and those are the ships that are operating there that are, for the most part, getting work done in Japan. I have the exact figure. I think it's 1,300 miles to Yokosuka. From the 7th Fleet operating areas just west of the Philippines it's 300 miles to Subic; it's 1,800 miles to Yokosuka, and it's 1,700 to Guam.

Mr. BEARD. How many miles to Subic?

Admiral COOKE. 300 miles.

Mr. ICHORD. Now you don't have the same favorable wage scale in Japan, though, that you have in the Philippines. You gave me \$17.2 million with 1,550 employees. Break down the Japanese cost per man-day.

Admiral COOKE. Yes, sir. For Yokosuka in Japan, it's a total of \$96.00 per man-day. The direct labor cost is \$58.40. Overhead is \$37.60, and that overhead includes \$13.12 of indirect labor.

Mr. DAVIS. Mr. Chairman.

Mr. ICHORD. The gentleman from South Carolina.

Mr. DAVIS. Where does the indirect labor come from?

Admiral COOKE. Anything that is not directly chargeable to the job.

Mr. DAVIS. Located on site?

Admiral COOKE. On the site, that's right. It would be at the Ship Repair Facility.

Mr. ICHORD. Would your overhead costs be higher percentage-wise in the Philippines than it would in Guam? Don't you have to have a greater security cost, and perhaps a greater supervision cost?

Admiral COOKE. I'm going to ask Admiral Bryan to answer that now, Mr. Chairman.

Admiral BRYAN. As I understand your question, sir, the overall total cost of overhead percentagewise is higher in the Philippines, yes, sir.

Mr. BEARD. Would the gentleman yield?

Mr. ICHORD. Yes.

Mr. BEARD. One point I would like to have cleared up.

You supplied Mr. Won Pat, for the record, or supplied some information, regarding cost, reported dollars per man-day, and I've just been going through this information here.

In Guam, estimated 1977: \$136.80 per man-day, versus the Japan base: \$116.00, which represents approximately an 18 percent difference, and with the statement that 18 percent difference could be expected for 1977. But then you came back with a second set of figures apparently, from all indications, after Mr. Won Pat had introduced this legislation, that put Guam at \$151.00 per man-day versus \$100 in Japan, which represents a 50 percent difference.

So here you have an 18-percent difference before legislation was introduced, and then all of a sudden you've got a 50-percent difference after legislation is introduced.

What happened over in Japan, or Guam, or wherever, that all of a sudden there should be such a drastic difference?

Admiral COOKE. Mr. Beard, one is a projection, and I don't know why that difference exists, that one would have 18 and the other would have 50 percent. I'll look into it, and I'll give you the answer. The figures I gave you here just now are the current figures, and the \$136 is the rate which we had for the last quarter. I asked yesterday to get the latest figures because I did want to be prepared to give the specific breakdown of exactly where these costs are, and that's why there is some little difference in them.

Now, I can't understand the projections. I don't understand why a different rate is projected for one activity than for another.

Mr. BEARD. Of course, that's a very substantial difference.

Admiral COOKE. As I understood it, it reflects an increase expected in both places, but there was a greater increase expected in Guam than in Japan, in the figures you just read to me.

Admiral KERN. No, sir.

Admiral COOKE. Go ahead, then.

Admiral KERN. I think you said the projection for 1977 was \$136 something and \$116.

Mr. BEARD. That's the first set of figures.

Admiral KERN. That's the projection for next year, which reflects a slight decrease in what the current figure is in Guam and an increase in Japan. The prices in Japan are going up.

Mr. BEARD. Exactly. Except that it would show an 18-percent difference, in other words, per man-day projection, as far as projections go.

Admiral KERN. For next year.

Mr. BEARD. And the Navy makes a projection for next year; we look at the future, and we've got \$136.80 in Guam versus \$116 in Japan projected. Then, all of a sudden, a bill is introduced and they say, "Hey, there's problems over here."

All I'm interested in knowing is why was a second set of figures presented?

Admiral KERN. It was for a different year.

Mr. DAVIS. No. The same year.

Mr. BEARD. I'm sorry. That's not what the Navy's presented to me. It's presented me with figures of \$151 for Guam versus \$100, so there's a 50-percent difference.

Mr. DAVIS. It's for the same year.

Admiral KERN. I'm sorry. I was comparing what we have given you for 1977 with what the Admiral has given you for today.

Admiral COOKE. I don't know the reason. I'll have to answer that for the record.

Mr. BEARD. I'd like to have this for the record too.

Mr. DAVIS. Would the gentleman yield?

Mr. BEARD. Yes; I'll yield.

Mr. DAVIS. If you're going to supply this for the record, you can look at it and tell us which one is correct.

Admiral COOKE. I know that the \$142.20 is absolutely correct.

Mr. DAVIS. I mean for Japan. In one set of figures you have a projection of 16-percent increase and in another a 50-percent increase. Now, that's a 300-percent differential in projected increases.

Admiral COOKE. I will provide the data if this hearing continues, or place it in the record. [See p. 42.]

Mr. ICHORD. Of course, we won't be able to conclude today. We will have to go over until tomorrow.

Admiral COOKE. I'll be happy to put it in the record. I'll be happy to go over it personally.

Mr. BEARD. That's all right. We'll continue.

Mr. DAVIS. Could I ask just one question? Excuse me. If the gentleman from Tennessee has the time?

Mr. BEARD. I'll yield to the gentleman from South Carolina.

Mr. DAVIS. Would this increase in cost be predicated upon the idea that there's a reduction in work force level; therefore, overhead and indirect labor stays the same figure, and reduces the man-hours. Thus, you've got an increase in cost? Would this be the reason for the differential? Could it be this cost, predicated on the cut, therefore, raising the cost per man-day?

Admiral COOKE. No, sir. It was not meant to determine it that way. It is a fact, of course, when you reduce the size of a place, the rate goes up somewhat because it is not as efficient when you're operating at a lower level. There is no question about that.

Mr. DAVIS. In other words, you're not sure whether these figures would be correct because of the fact that you haven't predicated it on the cut, so therefore you couldn't basically make your estimate? Is that right?

Admiral COOKE. The figures that are here are based on the employment level at about 500, because that is the rate at which we are pro-

ceeding now. We do have a proposal that we reduce it further, but we have not made a decision on that proposal, and we will not until we have completed all of the studies that are associated with it.

Mr. DAVIS. Could I ask one further question, and get down to the nuts and bolts of my concern.

If you find that you can do something a little bit cheaper in Bermuda, are you going to close down Charleston?

Admiral COOKE. No, sir.

Mr. DAVIS. I mean this is your attitude in Guam.

Admiral COOKE. No; it isn't, sir.

Mr. DAVIS. Yes; I believe it is.

Admiral COOKE. I don't mean it to be that way at all, and I think I started out—or I intended to—by saying that the primary reason for our using the ship repair facilities at the advanced bases is because of their proximity to the operating areas and the loss of time involved in going back and forth that 1,500 miles.

Mr. DAVIS. With the closing of Rota, wouldn't Bermuda be a little bit closer to the European coast than Charleston, S.C.?

Admiral COOKE. Yes, sir.

Mr. DAVIS. So that would be a in closer proximity to the operating area.

Admiral COOKE. No, sir, not really, because it depends on where we're going to deploy the SSBN's, which I should not get into right here. But I wouldn't see any advantage there.

I think we did have advanced bases at Holyloch and Rota initially for these SSBN's based on these considerations, of being close to our operating areas there. I know you're well aware of the reasoning and why we had those bases.

But that is the primary reason, it's the proximity.

Mr. ICHORD. You have how many sailing days between Guam and Subic Bay?

Admiral COOKE. It's between 4 and 5 days.

Mr. ICHORD. Both ways, or one way?

Admiral COOKE. One way. Round trip, it's about double that.

It is important, we feel, to carry out our commitments, the Navy commitments, that we need a strong forward defense in the areas where we have bilateral commitments with our allies. We have agreements with Japan, Korea, Taiwan, and the Philippines, of course.

Mr. ICHORD. How many ships are we talking about, on the average?

Admiral COOKE. We have deployed about 50 ships in the 7th Fleet at any one time, 50 surface ships, and in addition to that there would be a few submarines. But about 50, in that area.

Mr. ICHORD. The gentleman from South Carolina raised the question that you had not cranked the base costs into the cost of operation of these facilities. I think that should be done in order to make a valid comparison when we talk about cost to operate, as we have for several minutes.

How many bases do you have in the Philippines? Just two, Clarke Air Force Base and Subic?

Admiral COOKE. Those are the only major ones.

Mr. ICHORD. You have another one there, do you?

Admiral COOKE. Those are the major bases. We have another one. We have a Naval Air Station at Cubi Point. We have a communications facility there, but that's it.

Mr. ICHORD. Of course, when you enter into base rights with the Philippines, the base rights agreement would cover all of our facilities, I suppose.

Admiral COOKE. I'm sure it would, yes, sir.

Mr. ICHORD. Do you have a ball-park figure as to how much we've been paying for base rights in the Philippines?

Admiral COOKE. No, sir; I regret that I have no idea how much it is. Perhaps you have it, Admiral KERN?

Admiral KERN. I don't have it either.

Mr. ICHORD. Do we pay in Japan the same as we pay in the Philippines for base rights?

Admiral KERN. I'm not sure we pay in either place.

Admiral COOKE. I will have to get the answer on that too, sir.

Mr. ICHORD. If you could supply that for the record.

Isn't it true when you entered into a base agreement with the Philippines that you also considered the level of employment that you will provide at certain bases? For example, isn't it a part of it, when you purchase the base rights from the Philippines, that the base right agreement will cover either, and often expressly, the number of employees that you shall hire, the number of Philippine nationals that you shall hire at the base and the wage rate?

Admiral COOKE. I'm afraid I'll have to disqualify myself on this one, Mr. Chairman.

Mr. ICHORD. Will you supply that also for the record?

It may not have been a part of our original agreement with Iceland, but I know there certainly were some special agreements entered into there attached upon the level of employment, and particularly in the field of construction.

Would you also supply for the record information concerning that?

Admiral COOKE. Yes, sir. (See p. 42.)

Mr. ICHORD. Has the gentleman from South Carolina concluded his questions?

Mr. DAVIS. If I might ask one more question?

Admiral, when you reduce a facility down, with the trained skills, especially in a limited area such as Guam, and there's no way to replace them, if something were to fall down in the negotiations with the Philippines, is there any place west of Hawaii that could meet the needs of the Seventh Fleet at all?

Admiral COOKE. Guam is the only one.

Mr. DAVIS. In other words, from Hawaii to the continent, going west, in the Seventh Fleet's operations, Guam is our only outpost?

Admiral COOKE. That is right; if we take away the Philippines.

Mr. DAVIS. So in other words, if President Marcos continued in his attempted tirade against the United States that he had last year of wanting to get us out, the only recourse we would have is to come back to Honolulu, as far as real shipyard repair work?

Admiral COOKE. Or Japan, which would be a little closer than Honolulu.

Mr. DAVIS. Or Japan?

Admiral COOKE. Yes, sir.

Mr. DAVIS. But there would be nothing out there otherwise?

Admiral COOKE. We have no others.

Mr. DAVIS. And, of course, you've already stated that Guam is closer to the operations of the 7th Fleet than is Japan. I believe you said there was a difference of 1,400 miles and 1,700 miles.

Admiral COOKE. I did say that. But that's to the operating areas in the South China Sea. There are other operating areas nearer Japan, and we do operate in the Japan-Korea area a good bit, which is the basis for our using that facility.

Mr. DAVIS. But if we were to lose our Philippine rights, there would really be nothing except Japan, is that correct?

Admiral COOKE. That is correct, as far as ship repair is concerned; that is right.

Mr. DAVIS. And could Japan handle the ship repair work needed by the Navy in its facility by itself?

Admiral COOKE. Not in its present posture, no, sir. They wouldn't be capable of it.

Mr. DAVIS. So there's a definite need, even in peacetime, for Guam, correct?

Admiral COOKE. Oh, yes; there is a definite need for facilities, and we certainly have a need for certain facilities on Guam. We need Guam now to support the SSBN's. We need the drydock capacity at Guam. We support the SSBN's operating out of Guam. We need those very specifically, and the people who will remain there will keep that facility going. We need the contingency capability of Guam. So we would like to have some minimum ship repair facility now, capable of expansion if needed.

Mr. DAVIS. All right. How low can you go, with a shipyard facility on an island such as Guam, where you are going to lose your skills, your craftsmen, to where that contingency exists? Can you cut down to 100 people and expect the other 400 to stay on an island where they cannot practice their trades, or, in case of an emergency, we would be caught without any capability, or any skill to meet the needs of the Navy?

To me, I see a balancing here. Just like we really damaged ourselves by cutting down on some of the apprentice programs, because we are going to hit a vacuum very soon where, with retirement and other attrition rates, we aren't going to have the skills to fill the void, especially in time of emergency. I am wondering how low you can go before creating that vacuum that cannot be filled immediately without recruiting a brandnew skilled work force, paying it an exorbitant rate, or waiting the time period that would be necessary to train the skills that would be needed. This is where I am wondering if a balance can't be met maybe.

I'm sure we can't go back to the peak period. I think that would be ridiculous.

In that section of the bill I believe that you stated, first of all, that was the one you were opposed to. But yet there's an area of compromise that can be achieved where we do meet the needs of the Navy, furnish that peacetime contingency, keep the skills up, keep the manpower up, and still meet the needs of the people of Guam.

I think the idea, really, of going back to 2,600 is impossible. But yet, how much further below this 500 can we go before we create that vacuum and that void that cannot be filled if it's ever needed?

Admiral COOKE. Yes, sir, and that's what we must determine, in the studies regarding any further reductions.

Mr. DAVIS. But after awhile you hit the point where 25 percent of zero is zero.

Admiral COOKE. Yes, sir.

Mr. ICHORD. Gentlemen, the second bell has sounded. We will not be able to meet this afternoon, so, Admiral, let's return tomorrow at 10 a.m., at which time, if you would obtain the answers to some of the questions that have been asked, perhaps you can address yourself to some of those questions when we begin tomorrow morning, and the Chair will first recognize the gentleman from Guam, Mr. Won Pat.

The meeting will be adjourned until 10 o'clock tomorrow morning.

Admiral COOKE. Thank you, Mr. Chairman.

[Whereupon, at 12:27 p.m., the subcommittee adjourned, to reconvene at 10 a.m., on Wednesday, April 7, 1976.]

I think the idea of going back to 2,000 is impossible. But yet how much further below this 500 can we go before we create that vacuum which must be filled? That is what we must determine, isn't it?

Yes, sir, and that's what we must determine, isn't it?

Yes, sir, and that's what we must determine, isn't it?

Yes, sir, and that's what we must determine, isn't it?

Yes, sir, and that's what we must determine, isn't it?

Yes, sir, and that's what we must determine, isn't it?

Yes, sir, and that's what we must determine, isn't it?

Yes, sir, and that's what we must determine, isn't it?

Yes, sir, and that's what we must determine, isn't it?

HOUSE OF REPRESENTATIVES,
COMMITTEE ON ARMED SERVICES,
SUBCOMMITTEE ON MILITARY INSTALLATIONS AND FACILITIES,
Washington, D.C., Wednesday, April 7, 1976.

The subcommittee met, pursuant to adjournment, in room 2118, Rayburn House Office Building, the Honorable Richard H. Ichord (chairman) presiding, at 10 a.m.

Mr. ICHORD. The subcommittee will come to order.

The subcommittee meets this morning to continue its hearings on H.R. 6986. The witness being heard at this time is Vice Adm. Edward W. Cooke.

Admiral Cooke, at the conclusion of the hearing yesterday, you were asked to supply several bits of information for the record. One that comes to mind at this time is the matter of base right costs in Guam, Subic, and Yokosuka in Japan. Were you able to gather any information in that regard?

**STATEMENT OF VICE ADM. EDWARD W. COOKE, DEPUTY CHIEF OF
NAVAL OPERATIONS (LOGISTICS)—Continued**

Admiral COOKE. Under our agreement with the Republic of the Philippines, our 1951 mutual defense treaty, the U.S. bases in the Philippines are rent-free. We do support the Philippine military strength in our military assistance program. I have the data on that assistance.

Mr. ICHORD. There is no rent for the bases?

Admiral COOKE. That is correct. No rent for the bases.

In the grant aid part of the program, starting with 1972 the figure is \$14 million; in 1973 it is \$16 million; in 1974, \$16 million; 1975, \$21 million.

Mr. ICHORD. Is that just for the Navy?

Admiral COOKE. That is not for the Navy, that is the total U.S. Government agreement with the Government of the Philippines. We have other bases, that we talked of yesterday.

In addition, we have foreign military sales to the Philippines. They are paid for. So these are not grants in aid. But I could give you that information.

In 1972 it was \$500,000; in 1973, \$1.2 million; 1974, \$5.6 million; 1975, \$31.8 million.

Those are all cash sales.

There was in 1975 a sales credit of \$14 million included in the \$31.8 million, but it was not used by the Philippine Government. These are cash sales.

In either case, though, the U.S. Government does collect for the total military sales.

Mr. ICHORD. What reference, if any, to the employment of Philippine nationals was made in the base right treaties in reference to grants in-aid program.

Admiral COOKE. No reference at all to any employment of Philippine nationals.

Mr. ICHORD. Is there recitation of the employment in the agreement anywhere?

Admiral COOKE. No, sir.

Mr. ICHORD. Is there any recitation of a grant-in-aid program?

Admiral COOKE. As mutually agreed from year to year; nothing specific in the agreement.

Mr. ICHORD. How about Japan?

Admiral COOKE. In Japan, once again the facilities are provided rent free in accordance with the treaty of mutual cooperation and security. There is no grant aid whatsoever to Japan. All of this is foreign military sales.

Again, starting with 1972, there were military sales of \$42.4 million; 1973, \$51.7 million; 1974, \$58 million; 1975, \$29.7 million. And those are all cash sales.

Mr. ICHORD. Would you address now the other questions asked, for the record.

Admiral COOKE. Yes, sir.

The next question I had was regarding some data provided to the staff in advance about the projected costs of the man-day rates.

There was a set of figures provided. The first set was provided by telephone in February, given to a staff member of Mr. Won Pat. And the estimates showed that in 1975 the Guam man-day rate was \$128 per day. In Yokosuka it was \$86. That is about a 50-percent differential.

The projection for the transition quarter would go, under these figures, from 116 in Yokosuka, where we projected an increase, to \$136.80 in Guam, again projecting an increase.

These figures were given by telephone from an individual in the CNO's organization, who works for me, and were estimates based on his general knowledge, and he did not check the documents. They were asked for in a hurry. Part of the estimated figures, \$116 for Yokosuka, \$186 for Guam, were the same as those in our budget documents. However, the estimates were made about 6 months before that, that is, last fall.

Later on, the second set of figures again were asked for by telephone, this was the week of March 22. The data that time showed the 1975 figure for Yokosuka was \$96, for Guam \$136.80. The estimate for the transition quarter showed \$100 a day for Yokosuka, \$151 for Guam. This represents a change from the February figures. These

latter figures were based on the data of the commander in chief—Pacific Fleet who operates the ship repair facilities in both these activities.

They are later in time, based on better estimates.

The reason there was a difference was that the earlier ones were given without thorough research. This is the best estimate—these are still estimates—for the transition quarter. We are looking to the July–October 1976 time period. They are still estimates, but the latter figures are better estimates.

I regret there was a difference in the two estimates, but I want to add that any inferences that we provided these figures for hearing purposes is not quite fair.

I have no reason, nor any desire, to try to bend the figures in any direction at all. I wish to provide at all times the best data we have. I am sorry there is a difference in the two sets of figures.

Mr. ICHORD. Very good. I believe Congressman Davis asked you to supply some information, Admiral.

Admiral COOKE. I think I have provided all the data that was requested, in coming up with this information.

Mr. ICHORD. I recognize the gentleman from South Carolina.

Mr. DAVIS. I originally asked the cost of the base leases to be provided.

Then I would further ask this:

What is the cause, in your estimation, of the problems that have existed between the Marcos government and our Government, in reviewing the base rights agreement?

Are they asking for money now? If so, how much?

What is the problem we have read about for about a year now in renewing the agreements?

Admiral COOKE. Mr. Davis, the negotiations will start about the middle of April. I don't know all the subjects that will be taken up.

I think the basic reason, though, is the question of joint ownership of the bases, who is in charge.

The U.S. Navy is in command of the base at Subic for instance. That is a question; the ownership of the bases is different in the Philippines than in other parts of the world, for instance in Europe.

Mr. DAVIS. Why?

Admiral COOKE. Historically we have just established precedence there. In Italy and Greece, and Spain, for instance, we have joint use of our bases there, rather than the United States being in sole charge of the bases.

Mr. WHITEHURST. Will the gentleman yield?

Mr. DAVIS. Certainly.

Mr. WHITEHURST. How similar is it to the situation in the Panama Canal Zone, where the United States has sovereignty; we don't have sovereignty in Subic?

Admiral COOKE. No. We have a mutual defense agreement with the Philippines, spelling out our rights at those bases. But the United States is in command of the bases, as far as security of the perimeter of the base, storage of our equipment, that sort of thing. The United States is in total charge there.

That is one subject and one issue that will come up.

I don't know, and I should not speculate on, other issues that will come up on these base rights matters. It is a sensitive issue. I don't really know what the U.S. position will be.

Mr. DAVIS. You made a statement that it is a sensitive issue. How about the resolution of it? Is it so sensitive that the resolution could be in doubt? If it is in doubt, we will have a real need here for Guam.

Admiral COOKE. I don't think so. I don't know. I don't think it will be in doubt. And I do not mean the final stages of this will be sensitive. I assume they will be pretty well publicized, on the U.S. position.

Mr. DAVIS. I think we need this information if we are going to consider this type of bill.

Would you like to go into executive session?

Admiral COOKE. If you want to go into that, sir, I ask that we have another witness for the Navy appear. I would be happy to do that, and discuss the U.S. position as regards Philippine base rights.

I think probably beyond the Navy—

Mr. DAVIS. Mr. Chairman, I believe we have a quorum.

Mr. ICHORD. Who is your other witness?

I am ready to recognize the gentleman from Guam. Perhaps we could do that at another time.

How long would it take to get a witness here?

Admiral COOKE. I would get a Navy witness here. But I believe we properly should have a State Department witness to talk about base-rights negotiations. We are not qualified to cover all the areas.

Mr. ICHORD. Your meeting will begin April 12, I understand.

Admiral COOKE. April 12.

Mr. DAVIS. Next Monday.

Admiral COOKE. Yes, sir. I think it would be very important that in order to provide the committee with all the information we should have a representative from the State Department, as well as Navy, here.

Mr. DAVIS. Could we get that witness tomorrow?

Admiral COOKE. I will inquire and find out right away, sir.

Mr. DAVIS. I asked, because we have a quorum of the subcommittee now, and a motion could be made for executive session for 2 days.

Mr. BENNETT. I would make the motion.

Mr. DAVIS. I move the chairman be empowered to call the subcommittee into executive session for the purpose of national security, today and tomorrow.

Mr. BENNETT. Today and the subsequent meeting.

[Motion seconded.]

Mr. ICHORD. The motion has been made. You heard the motion. Under the rules, a rollcall is required. Counsel call the roll. All in favor of the motion will vote "aye," those opposed "no."

[A rollcall was taken.]

Mr. TSOMPANAS. All members voting in the affirmative, the motion is carried unanimously.

Mr. ICHORD. By unanimous vote, a quorum being present, the motion by the gentleman from South Carolina is carried, and the chairman directs that the subcommittee proceed in executive session.

Does the gentleman from Florida seek recognition?

MR. BENNETT. If the only problem that is very important is a question of whether we should share the bases as with any other country, from my standpoint I would say that should be a real big deal. It is not at all the same as the Panama Canal. The Philippines have a right to be a country. They don't have to be a protectorate of ours. We freed them. The fact that at one time they allowed us, in the disassociation, to have greater strength there, should not "turn us off." They have a right to be a separate country.

Philippine histories are written quite differently from ours. They say they were free in 1898. They say they were free from Spain, and we took them over. And there is a great deal of substance to that. Spain just gave us the Philippines after they had virtually lost them.

So I feel if that is the issue it does not disturb me at all that we would allow them the same thing we allow any other country; and I think we would be making a serious error for our country to insist on such a position. We do not own the Philippines.

We do own the Panama Canal and its route, and we have an agreement for what amounts to sovereignty there. They are different, they are not the same at all.

I say this because, although I would be happy to attend the hearing and listening to everything, I think at the end you will reach the fact that the Philippines are a separate country, and they are uptight about things here and there, and will allow you to do certain things and not other things.

When you get down to the last line, we do not own the Philippines in any respect. Therefore, the same issue will be involved after we have this hearing.

We do own Guam, these are American citizens, loyal American citizens, fight as all others do, are proud of their flag, and it is a different situation. They are us, they are not somebody else. It is not "them," it is "us."

The question of whether you will put these facilities on our ground instead of on someone else's ground with their permission is a sound one. It will be just as sound after this hearing, regardless of what the hearing says, whether we are or are not precarious in the Philippines. It will be interesting intellectually to hear about the Philippines. But it will be like Turkey, Great Britain, anywhere else that is a separate country. They are separate, and we can no longer pretend they are not.

MR. ICHORD. I recognize the gentleman from Virginia.

I ask the gentleman from Guam, may I recognize the gentleman from Virginia?

MR. WON PAT. Yes, Mr. Chairman.

MR. WHITEHURST. Thank you, Mr. Chairman.

I want to ask our witness about the facilities at Subic Bay and Yokosuka.

Compared to say the Norfolk Naval Shipyard, which I pick only because I am familiar with it, how do the facilities, and their ability to overhaul, compare between Subic Bay and Yokosuka, in size of ships, extent of facilities, so forth?

Admiral COOKE. Admiral Bryan will answer that.

Admiral BRYAN. Mr. Congressman, in relation to your shipyard at Norfolk it is hard to compare. The largest ship we have overhauled at Guam was an AO.

Mr. WHITEHURST. At Guam?

Admiral BRYAN. Yes; the *Ponchatoula*.

Mr. WHITEHURST. At Subic and Yokosuka?

Admiral BRYAN. At Yokosuka, the facility—that is the only place in the Western Pacific that has a drydock that can take an aircraft carrier. Yokosuka maintains aircraft carriers. It does not do the full regular overhaul of an aircraft carrier as Norfolk does. It does the 2-month special restricted-availability that Norfolk does.

In that sense Yokosuka is the most carrier-capable facility of the three we are talking about. That puts it in relationship to your shipyard at Norfolk.

Mr. WHITEHURST. Subic Bay?

Admiral BRYAN. It cannot drydock a carrier. It can do all the kinds of voyage repairs that say Norfolk does to carriers and therefore smaller ships; but it cannot do an overhaul of a carrier, because it does not have the ability to drydock a carrier.

Its ability for drydocking is now roughly the same as Guam's, in that they can drydock a guided missile cruiser, and smaller, but not in the carrier range.

Mr. WHITEHURST. Can Guam drydock a guided missile-cruiser?

Admiral BRYAN. Guam can handle the CG's as well as the Polaris submarines.

Mr. WHITEHURST. There are nuclear restrictions in Japan. Are there any in Subic Bay?

Admiral BRYAN. No, sir.

Mr. WHITEHURST. Thank you.

I thank the gentleman from Guam.

Mr. WON PAT. Thank you.

Last year I received a report confidentially and I remember I sent a copy of that report to my colleagues on this committee. To refresh our memory with respect to that report I would like to point out, as I do have a copy before me, what are the factors that would include this base agreement. This report was prepared for the President of the Philippines. It says:

As per our Research group studies of the Bases Agreement, there is the need to include the following factors:

1. That the length of the new Bases Agreement shall be for a period of ten (10) years and renewal for another ten (10) years at the option of both parties;
2. That Filipinos working in the Bases need to be paid in pesos, converted into dollars which will become a part of the income of the foreign earnings of the Central Bank of the Philippines;
3. That the actual protections of the American Philippine Bases will include the countries of the ASEAN Nations;
4. That the Office of the President need to be furnished the actual total movement of the war materials of the two (2) bases and these informations will be classified as confidential;
5. All cases whether civil or criminal have to be under the jurisdiction of the Philippine Court and the people involved need to be retained under the Philippine Laws. In case of bail, the involved will not be re-assigned to another place until the case is finished or with the approval of the Philippine Government;
6. That the American Philippine Bases will need to patrol and maintain surveillance of all international vessels and airlines whether communists, socialist or democratic on in the ASEAN route;
7. That Philippine officers need to be furnished entering and landing permit to any of the American vessels and airlines entering the Philippine waters;
8. That the conditions will become part of the ASEAN Nation Agreement so as to protect the ASEAN routes;

9. That seven (7) patrol boats equipped with the latest radio and telecommunication equipments need to be given as AID to the Republic of the Philippines and that reports of these patrol boats will be furnished to the American Bases;

10. That any attack made in any part of the Philippine territory by any country shall be considered an attack on the American territory;

11. That the American Government need to pay the Republic of the Philippines the amount of five hundred million U.S. dollars (\$500,000,000) as payment to the Republic per year during the duration of their stay here.

That these eleven (11) factor points need to be incorporated in the New Bases Agreement of 1975 between the United States of America and the Republic of the Philippines.

Mr. WON PAT. We have to take into consideration that agreement. We read in the papers about these matters I just pointed out, but I am not privy to what is going on now between the State Department of the Philippine Government. But I point those out as factors that will influence negotiations of base rights.

In other words, exporting jobs from Guam to the Philippines and other areas will do no less than in fact deprive American citizens of their livelihood, affect the economy of the island, and we have to consider what they call the exported dollars to other foreign countries.

Now, I would like to ask, Mr. Chairman, if I may have a little time—

Mr. ICHORD. The gentleman is recognized.

Mr. WON PAT. Are you aware of a DOD directive 5401.12?

Admiral COOKE. I do not recognize it by that number.

Mr. WON PAT. The Department of Defense directive 5410.12, 1973, on the subject of economic assistance, referring to the President's communication to the Secretary of Defense and other Federal agencies, are you aware of that?

I point that out, because in the announced closure, or realignment of the ship repair facilities and bases, was that order taken into account, considered or complied with, or studied, before you made that announcement?

Admiral COOKE. Mr. Won Pat, I am familiar with the Department of Defense instruction in general on the economic impact or impact on communities.

The answer is that, yes, it was taken into consideration. But let me point out, it will be in greater detail as we proceed. We have announced a proposed reduction. We have asked the Commander in Chief of the Pacific Fleet to review the various factors, the impact of the workload on the bases needed for the maintenance facilities, impact on the community; all of those things are being considered now starting just at this time, and will continue for the next several months. We would expect to have an impact statement, environmental impact statement, which is required, in July. It will be completed then. That will be filed with the Council on Environmental Quality, and it will address all of the various factors I am talking about here and will be available for everyone to see and comment on.

Yes, we will look at every aspect of this, and it will be done in accordance with the instruction you are referring to.

Mr. WON PAT. You heard the Governor of Guam detail the economic impact on Guam since last year when we reduced the ship repair facilities by about 400-some-odd men. And the Department is

under obligation to try to relocate these other people, but they were not able to find employment for everyone.

Additionally, of course, there is a hardship imposed, because they have to leave their homeland.

Admiral COOKE. Yes, sir. These are proper considerations and I assure you they will be reviewed very thoroughly as we proceed. It will be part of the decision process as we go through the summer. It will be about July 1 when we will have the data available and file this report. That will be part of the decision process, the comments we get on that, as to whether we proceed with this reduction or not.

Mr. WON PAT. Mr. Chairman, I want to yield back the rest of my time, to give the others an opportunity to ask questions.

Mr. ICHORD. Are there further questions of Admiral Cooke at this time?

[No response.]

Mr. ICHORD. There being no further questions by the members, counsel has questions.

Mr. TSOMPANAS. Thank you, Mr. Chairman.

Admiral, you mentioned the Guam naval ship repair facilities can accommodate and overhaul a ship as large as a cruiser, is that correct?

Admiral COOKE. Yes.

Mr. TSOMPANAS. What is a normal upkeep period? How long is it?

Admiral COOKE. To answer your question directly, about 2 weeks.

A destroyer, if from the West Coast of the United States, would deploy to the western Pacific with the 7th Fleet, for a total of 6 months.

In that period of deployment, we would plan to have two upkeep periods some time in that period, so he could go in for voyage repairs and necessary routine maintenance requiring his ship to be shut down. We call that the upkeep period.

You asked about overhauls at Guam. Now, that is a longer period of time.

Mr. TSOMPANAS. If the normal upkeep period is 2 weeks, and you plan two of those on each destroyer deployed in the western Pacific, could you not schedule those upkeep periods in Guam during their transit from the west coast to the western Pacific?

In other words, a destroyer coming out of San Diego, could she not go to Guam, do her 2 weeks upkeep, then sail on to the western Pacific?

Admiral COOKE. Yes we have done some of that.

We go through a training period and material-readiness period at the home port of the ship, get the ship ready to deploy, and operate at the fast pace of the 7th Fleet.

As they go to Guam that is too early in the cycle to go in for upkeep. We prefer to have them out operating. They are in good shape when they leave the west coast. After a couple months of operation with the 7th Fleet is when it is time for their upkeep.

Then to take them back to Guam we run into the distances in the transit.

There is some opportunity for just what you are talking about, and we have done that recently. That is how we have been using the people that are employed at the ship repair facility now.

Mr. TSOMPANAS. One of the issues raised in the hearings so far is this apparent inconsistency that you are unable to complete some of

your upkeep and overhauls because, as you have said in other hearings, you lack shipyard capacity.

If that is true how do you justify putting another ship repair facility into a standby status?

Admiral COOKE. Shortage of assets and shipyard repair facilities are two things. There are shipyard ceilings, we cannot hire enough people to do the work; and the second is funding limitations.

We shift those ceilings and dollars around as required. If we put more on Guam we are taking from some other place. If we had more money and more billets we could build up and do the work anywhere, some on Guam, of course—except for geographic situation.

But the limitation on the shipyard work, and there is one, is the civilian ceilings and funding.

Mr. BENNETT. May I ask a question?

Mr. TSOMPANAS. Yes, sir.

Mr. BENNETT. You know, the Seapower Subcommittee had hearings on this in the procurement bill. During those hearings I said I would appreciate it if the Navy would come forth with language dealing with these ceilings that they wanted us to put in a bill and a short statement sustaining it, so people could understand it. Because although we tried last year to do this same thing, we were knocked down in the full committee.

I was prepared to try it again this year, but we never heard from the Navy again. That is the reason it is not in the procurement bill.

Now, I may be in error on this. But the other day I said, "Why don't we have a provision in there like we had last year?" My memory is that the Navy never presented the language they wanted in the bill and never gave us a backup statement.

Such an amendment is going to be offered on the bill, and I expect to support it. But I think the Navy has been remiss in not coming forth with an understandable argument on this.

I have not been able to verbalize it in the way the average person understands. They say, "Is this not a way to cut down on overexpenditure?"

And of course it really is not, as you know. It just says you cannot do the work.

The real ceiling should be a dollar ceiling, but not to allow you to manage your personnel is pretty tough.

I would like to be able to explain it on the floor in language a high school student could understand; I could not even explain it in the committee; I lost in the committee, whose members are far above understanding of high school students.

You should follow my advice if you want to win this.

Admiral COOKE. You are quite correct; I did put a statement in the record of that hearing, of the Navy's position on ceilings.

The Secretary of the Navy in his posture statement included a comment on that subject, and as a result of your direction at the time of the hearing, I placed in the record of my testimony before the Seapower Subcommittee a statement on this subject.

Mr. BENNETT. A request, not a direction.

Admiral COOKE. Request.

The total problem is one of, do we want to remove ceilings from just the shipyard industrial funds, or do we want to remove ceilings

everywhere in the Government. The DOD position has been that they are opposed to ceilings. And they have not selected out any particular area they want to stress more than any other.

That is the Department of Defense position, and the Navy position has been in accordance with that. But we have proceeded in these hearings a little further than that in wanting specifically to remove it from shipyards, because of our material condition and maintenance problems.

That is the explanation I can give you right now.

[The following information was received for the record:]

The Department of Defense position on exclusion of industrially funded personnel from civilian personnel ceilings is as follows: The Department of Defense continues to advise against the use of end-strength ceilings. However, it is not believed that exclusion of industrially funded civilians from the current ceiling would be an improvement. A single large DOD ceiling for civilian employees allows better personnel management by providing flexibility in managing total resources.

Mr. BENNETT. Why don't you tell them when you go back, that Charlie Bennett would be happy to have somebody give a statement, or he would give it that could be understood on the floor of the House.

I have had difficulty explaining it to this committee, and they did not understand it, and they voted it down. If I cannot explain it to the Armed Services Committee I will not explain it to the floor.

I seek your guidance on how to do it. You have all kinds of people you can kick it around with, able-bodied seamen, so forth, where you might get language people would understand.

Mr. KAZEN. Would the gentleman yield?

Mr. BENNETT. Certainly.

Mr. KAZEN. This ceiling business was my problem in the Personnel Subcommittee. I was in that subcommittee working on these ceilings, and in the full committee I tried to do something about it, and we were knocked down again.

I am not as familiar with the Navy setup in the shipyards as I am with the Air Force's logistics plan. But I, for one, was very disturbed last fiscal year when all of the cuts in civilian personnel in Logistics Command, rather in the civilian personnel of the departmentwide numbers, and ceilings, they were all forced upon the Air Force last year. This year, apparently, the Navy is going to be called upon to take a few cuts, when actually we need more civilians, as we have discussed here today, in our shipyards.

I note the gentleman from Guam and the Navy Department are interested in the Philippines, and he is interested in Guam, and, those of us on the mainland, in our ship facilities here.

I just do not see why the Navy, although you are part of the Defense Department, does not stand up for what you really want and come in here and tell us about it. We have to carry the ball in spite of the Defense Department, in spite of OMB, and in spite of our colleagues who want to cut you back. We are placed in a very precarious position.

I wish we could get more cooperation from all of the services within the Department of Defense and let us stand up and really tell the Congress what you must have in order to be a viable service. You cannot do it if you are always coming back in the first place to fiscal restraints; second, you throw these ceilings in our faces all the time,

as you have in this case. Yet we are here to try to help you increase these ceilings, and if you will not come forward and tell us how are we to be able to help.

Admiral COOKE. I understand, and I brought this subject up today because it is pertinent to the question asked of how is it we have been cutting back on repair facilities at the same time we say we have a shortage of capability to keep our ships up.

So there is a problem, and it does address ceilings and funding.

Mr. BENNETT. Would the gentleman yield?

Mr. KAZEN. Just a minute, and I would be delighted to yield.

Your shipbuilding facilities are one big problem the Navy has.

The other problem is the airplanes that are sitting on the ground for lack of maintenance and spare parts. This again comes about because of the ceilings you put on your civilian employees that do the repair work. It is just a people problem.

Let's put priorities where they belong. We cannot afford to have all those airplanes sitting on the ground for lack of maintenance. You cannot afford to sit in the shipyards for lack of maintenance. And I think one of the big drawbacks is your working ceilings. I yield.

Mr. BENNETT. I want to inject one thing. In a conference the other day we were talking about 71 people being cut back in Jacksonville O. & R. activities. It was revealed the reason the cutback was occurring was the cut of \$10 billion, or \$8 billion, whatever it was, in the Appropriations Committee last year. I said, "Nothing in writing says that. Why not give me a letter in writing that says it is because of that cut?"

They finally wrote me a letter that finally said, tucked in there somewhere that it was because of this cut. I sent it to George Mahon. He said he looked into it and did not really think it was so.

I think the branches of the services should be more candid with Congress. I have no doubt the cut, in the case of growing backlog, which the Navy says is growing, of things to be done by these people, yet the Navy is cutting the people is a horrendous situation. We have the backlog and we are still cutting. And they told me the reason is because of the cut in the Appropriations Committee last year. I think Mr. Mahon thinks that appropriations cut last year was somehow painless. A cut of \$8 or \$10 billion cannot ever be painless. So far, he has not defined what was cut. I identified it for him.

I am not that parochial about my district. I never have been. It is sad for any man who loses his job; to him it is a calamity.

But I am not worried about just 71 people, I am worried about the fact apparently there was this tremendous cut last year and the Department never really showed how that impacted on its military effectiveness. I discovered a point that was glossed over by the services themselves. I had to contact Mr. Mahon and argue with him, and barely got enough information from the Department to indicate that the cut had any effect.

Mr. ICHORD. Will the gentleman yield.

Mr. BENNETT. Yes.

Mr. ICHORD. Getting back to the problem at hand, what impact would a removal of the ceiling have on the shipyards in Guam?

Admiral COOKE. Probably none. I would have wanted to make that point if you had not asked the question, Mr. Chairman.

We need increased ceilings, increased funding, increased capability to conduct maintenance.

But the problem in utilization of the facilities at Guam is the geographic location, remoteness from our operating areas; and secondary, as described here yesterday, the cost involved. It is the remoteness really, that is the problem.

Mr. ICHORD. I understand that.

The thing that bothers me is that if this committee in carrying out its responsibilities should yield to the weight of the arguments that you have just made and have made previously, I doubt very much if we would be carrying out adequately our responsibilities. The reason I say this is because you cannot separate the history of Guam from the history of the U.S. Navy. It has been pointed out in the record how dependent Guam is on the military, particularly, the Navy, and the way they, the people of Guam, have helped the United States.

If you are going to make the decision—and this is a policy decision—we could do this work in Guam, perhaps not as well and easily and cheaply as you have pointed out.

The thing that bothers me is, when you have one-third of all of the land in Guam, you have tied up some of the best land, you have taken away their means of employment, and you still retain the land.

Has the Navy ever thought about just the implications of the decision that you are making here, or at least implementing?

Admiral COOKE. Yes, sir. We have thought about it. The Navy, with the Department of Defense, has been and is, looking at total land requirements on Guam continually. We are aware of the economic effects of the proposed action here. We will just have to take that into consideration in the total decision.

We are aware of just what you have talked about, Mr. Chairman. What effect this will have on the final decision, I am not sure.

We certainly have the responsibility for conducting our business, our maintenance, any of our naval operations, in as effective and efficient a manner as possible, yet to look at the total impact of any action we take. That is what we have to do here in the next few months, and we will do that.

Mr. ICHORD. I am sure the impact statement will address that problem, and I would make an observation that it should address that problem in great detail.

Admiral COOKE. It will, sir.

We have a very real need for Guam on a contingency basis. There are requirements for which we need Guam. All that will be part of this impact statement.

Mr. DAVIS. Mr. Chairman.

Mr. ICHORD. The gentleman from South Carolina.

We are all interested in the ceilings.

Mr. DAVIS. The question you asked, Mr. Chairman, is the one I wanted to ask.

May I ask a further question, getting down to the nuts-and-bolts issue, and realizing cuts come where they come, and everything else?

What is the input of OMB into these decisions?

Did you clear your testimony through OMB? Was it a decision procedure carried out through OMB before coming to this committee?

Admiral COOKE. Before coming to this committee, my opening statement, prepared statement was cleared by the Department of Defense legislative affairs section, which is standard procedure. That is the—

Mr. DAVIS. Does it have to clear through OMB, also?

Admiral COOKE. I don't believe so. I have only to clear it with the Department of Defense.

Mr. DAVIS. One further question. What input would OMB have in the final decisionmaking process on closing these installations?

In other words, I believe we have a way here to maybe help you, or maybe not help you, because I am beginning to get the feeling that the entire Pentagon has a great big ribbon tied around it. When they want to let you out with something OMB unties the ribbon, but when you want to do something they tighten the ribbon and keep you squeezed.

I believe when we get down to this process, and maybe it is going further than we are looking for, Mr. Chairman, I want to know what input OMB has in these closures, once they pass the Defense Department level.

Does OMB get into the act?

Admiral COOKE. I don't really know, Mr. Davis. The reviews will be done and decision made, or recommendations—

Mr. DAVIS. You have a commander in chief and you have to follow his directions, and sometimes I think the commander in chief follows the directions of OMB.

Admiral COOKE. The recommendations are made by the Secretary of the Navy to the Secretary of Defense, and a decision will be made. Precisely how it is handled from there, I don't know.

Mr. ICHORD. Would the gentleman yield?

Mr. DAVIS. Yes.

Mr. ICHORD. The chairman has to testify before another committee. The gentleman from Georgia, Mr. Brinkley will assume the Chair.

Mr. DAVIS. Is there any way you can supply this for the committee, since we are on this subject, and of course have not held hearings previously on base closures or cutbacks.

This is as the chairman said, a unique situation, the situation Mr. Won Pat introduced here.

As to exactly what process is followed by the executive branch in the decisions of closing installations? The answer may be that no, you cannot tell me. I am willing to accept that from you if it is the truth.

Admiral COOKE. I cannot at the moment, beyond saying we make recommendations to the Secretary of Defense and get a decision.

I cannot go beyond that, because I simply don't know.

Mr. DAVIS. Could you find out and supply it for the record?

Admiral COOKE. I will attempt to.

[The following information was received for the record:]

The Secretary of Defense has the responsibility for approval of DOD base realignment actions.

OMB is routinely advised of such action, but does not have an approval or concurrence responsibility. OMB's function is generally confined to action or coordination in economic adjustment after a decision is made and announced by OSD.

Mr. DAVIS. It would help the Congress to understand just how much impact OMB has, and where, in the decisionmaking process. We all realize OMB cut out almost \$11 to \$12 billion from the Defense budget this year before it ever came to the Congress. We realize OMB is the one that cut the request going to Mr. Bennett's subcommittee from 21 ships to 16 ships. Of course, this is where we get to the basic constitutional inscription placed there by the late Chairman Rivers, that Congress is charged with raising and maintaining the Army and the Navy.

Thank you.

Mr. BRINKLEY. [presiding]. Do you have questions?

Mr. TSOMPANAS. Yes, Mr. Chairman.

How many ships a day are you working on at the repair facilities in Subic and Yokosuka?

Admiral COOKE. I don't know.

Admiral BRYAN. The exact number there now for voyage repairs? I don't know.

[The following information was received for the record:]

Today there are 22 ships in restricted availabilities at Ship Repair Facility Subic. There are 8 ships at Ship Repair Facility Yokosuka, 2 undergoing regular overhaul and 6 in restricted availabilities.

Mr. TSOMPANAS. Are they normally working just one 8-hour shift, or two shifts a day, or what?

Admiral BRYAN. There is round-the-clock action all the time, normally, in Subic; it is a busy place. We work a high percent of overtime because of the short periods and the many ships coming.

Mr. TSOMPANAS. I asked because Admiral Cooke answered Chairman Ichord's question that if you were granted an increased ceiling in your manpower levels and funding for ship repair, you still would probably proceed with your decision to reduce activities at Guam. And my question is:

Does that mean you would increase your manpower levels at Subic and Yokosuka to take care of that effort to attack the backlog you have in ship repair?

Admiral COOKE. No; it does not.

Mr. TSOMPANAS. How would you attack the backlog of ship repair?

Admiral COOKE. In shipyards within the United States, continental United States.

Mr. TSOMPANAS. I see. So when you say in this testimony that you made before the Seapower Subcommittee that you are not able to get those ships into a shipyard because of lack of shipyard capacity, do you mean the lack of shipyard capacity is only the fact that you are constrained by the ceilings on manpower and funds to pay those people?

Admiral COOKE. That is correct.

Mr. TSOMPANAS. In other words, you have enough facilities to put the ships in, to make the repairs, if you had the funds and manpower to carry it out?

Admiral COOKE. That is right.

Mr. BRINKLEY. Are there further questions of Admiral Cooke, by the committee?

If not, thank you so much for your testimony.

Admiral COOKE. Thank you.

Mr. BRINKLEY. Mr. Emmett Rice, Deputy Director of Territorial Affairs, Department of the Interior.

Please come forward.

Without objection, the gentleman from Georgia will be recorded as voting "yes" on the motion to allow the Chair to go into executive session, taken earlier today.

Mr. Rice, we are glad to have you appear before this committee.

Mr. RICE. Thank you.

Before I proceed, I have testified many times here. I have yet to testify when my statement was not approved by OMB. My statement today has been fully approved by OMB.

Mr. DAVIS. Thank you, sir.

Mr. RICE. With your indulgence, I would like to read my prepared statement. It is very brief.

Mr. BRINKLEY. You may proceed.

STATEMENT OF EMMETT RICE, DEPUTY DIRECTOR OF TERRITORIAL AFFAIRS, DEPARTMENT OF THE INTERIOR

Mr. RICE. Mr. Chairman, I appreciate the opportunity to appear before this subcommittee today to testify on H.R. 6986.

H.R. 6986 directs the Secretary of the Navy to maintain and develop the Guam shipyard repair facility with the capacity for repairing naval vessels at the highest capacity that it has operated at in the past. The bill further provides that the Secretary of the Navy shall study the necessity of maintaining shipyard repair facilities in the western Pacific not dependent upon foreign treaties or foreign workers and shall report on his findings within 6 months to the House, the Senate Armed Services Committees.

Since the Guam shipyard repair facility is under the jurisdiction of the Department of the Navy, we would defer to that Department as to the merits of this bill.

However, as this Department is directly concerned with Guam's economic development, we would note that Guam is currently suffering from the effects of a recession which is not expected to abate in the near future. Almost 50 percent of all economic activity on Guam is military related. Therefore, the adverse impact upon the local economy caused by a cutback in military operations, such as the proposed realignment, could be significant.

It is our understanding that the Department of the Navy will be undertaking studies to permit decisions on the proposed realignments announced by the Secretary of the Navy on March 17 of this year, and the Guam facility will be a part of such studies. Further, we understand that the studies to evaluate these proposals will include environmental, social, and economic impacts as well as military considerations.

The Navy has indicated that Guam's economic situation will be considered in these evaluations.

This concludes my prepared statement. I would be glad to respond to any question that you might have.

Before I respond to questions, Mr. Chairman, I have a voluntary statement to make of my own, if I may.

I was a member of the task force for the resettlement of the Vietnamese. I would like to advise the committee one of the most stirring examples I have seen of American patriotism was exhibited by Guam at a time when we were faced with this terrific problem. When communities in the United States were not willing to accept any of these Vietnamese, Guam was fully ready to accept them in the national interest.

I was in close contact with Mr. Won Pat on almost a daily basis, as well as with the Governor of Guam. It was a very stirring experience to see how the Guamanians offered to throw open their homes to Vietnamese refugees.

I fully corroborate all the previous statements made by Mr. Won Pat and the Governor as to the beautiful example of the patriotism exhibited by the people of Guam, not only on this occasion, but in many other instances in the past.

I can also corroborate the previous presentation by Governor Bordallo and Mr. Won Pat as to the rather grave and serious economic condition on Guam at the present time.

I am now ready for any questions the committee may have.

Mr. BRINKLEY. Mr. Rice, were you in Guam during the time Vietnamese refugees came to Guam?

Mr. RICE. No, sir. I was sitting here on a committee in Washington. I was there shortly after.

Mr. BRINKLEY. When were you last there?

Mr. RICE. Last week.

Mr. BRINKLEY. The gentleman from South Carolina?

Mr. DAVIS. I have no questions. I wish to thank the gentleman for his honest and straightforward statement. I know sometimes it is hard for one Department to differ from another. I ask that you also strongly urge your Department to provide input into the Navy, as to what would be the real effect of this realignment on Guam.

I believe so often we look at a small area and small population, and we forget that a small cut can have drastic effects on that small population.

I would say maybe one of the great friends Guam has is the Department of the Interior, especially you, Mr. Rice.

Thank you, sir.

Mr. RICE. Thank you, Mr. Davis.

I might add, our office is currently studying with Guam its grave financial situation at the moment. The Governor has come here for that specific purpose. Mr. Won Pat will attend some of the sessions, as well as the leadership of the Guam Legislature.

Currently the situation is quite serious and grave on Guam. We in the Office of the Territorial Affairs do not wish Guam ever to have to go back to the posture of coming to the U.S. Congress hat-in-hand each year. If the serious economic recession continues that may be a near possibility.

Mr. DAVIS. I can say I hope we never see that, either.

But I can see many reasons that the U.S. Congress should go to Guam with hat in hand, just to express appreciation for the things they have done. The hats should be full when we go.

Mr. RICE. I agree, sir.

Mr. BRINKLEY. The gentleman from Guam, Mr. Won Pat.

Mr. WON PAT. Thank you, Mr. Chairman.

Let me commend Mr. Rice for his excellent and candid testimony, particularly his comments on the Vietnamese situation.

We appreciate the cooperation of Mr. Rice very much. I know he is very familiar with the problems of Guam and also Micronesia. Presently, of course, he is the Administrator of the Department of the Office of Territories with respect to the problems affecting the territories. He is right that the Guam leadership is coming to Washington for the sole purpose of seeking assistance from the Federal Government because of our financial situation. That is why this announced realignment or closure of the facilities at Guam is of great concern to each and everyone of us. I am glad the Department of Interior has shown such great concern about this.

Now, Mr. Rice, can you explain to me the administrative cognizance of the Department of the Interior with respect to Guam and the territories? What are its economic responsibilities to the territories?

Mr. RICE. Actually, as you are certainly aware, sir, Guam is a self-governing entity. Our responsibilities in Interior are the audit function, supervision of the U.S. comptroller there.

Due to the historic relationship the Office of Territorial Affairs has had with Guam in the past, we are still a service organization upon request. When Mr. Won Pat or the Governor of Guam requests something of us, we try to comply because we feel strongly Guam still has continuing needs for advocacy within the administration.

Mr. WON PAT. For the record, also, I wish to point out to the Congress the northern Marianas compact signed by the President.

Can you explain to us what that means to the United States and the people of Guam?

Mr. RICE. The covenant recently signed by the President means termination of the trusteeship agreement, to occur in approximately 1981, the presently proposed date. The government of the northern Marianas island will become a commonwealth of the United States, pursuant to the terms of the covenant negotiated.

Prior to that date, and effective April 1 of this year, the Marianas will henceforth be separately administered from the rest of the trust territory.

Mr. WON PAT. In terms of the financial responsibility of the Federal Government, can you explain that?

Mr. RICE. As soon as the northern Marianas island develops a constitution and installs an elected government of its own, which we anticipate will occur on or about July 1, 1977, the U.S. Government will begin payments and assistance to the government of the northern Marianas island, of \$14 million per year plus all the Federal programs currently available to Guam.

Mr. WON PAT. Currently, are you aware of the amount of the annual appropriation for the administration of the trust territory?

Mr. RICE. Yes, sir, that currently runs in the neighborhood of \$80 million-plus per year. Other Federal programs approximate \$20 million per year. So the entire trust territory budget received from the United States approximates \$100 million per year.

The trust territory has 115,000 people, roughly the same population as Guam.

Mr. WON PAT. Of course there is an international obligation to the trust territory people. We have what we call our national interest in these islands, the northern Marianas, a strategic interest, is that not an overriding fact?

Mr. RICE. Yes, sir.

Mr. WON PAT. And I understand from previous briefings that there are studies made proposing a \$300 million installation in that area?

Mr. RICE. That is correct; I cannot address that at the moment, it is a Defense matter. But I understand there are no current plans for that installation.

Mr. WON PAT. In other words, it is a contingency plan?

Mr. RICE. However, we did by terms of the covenant pay, or will pay, almost \$20 million for the contingency military land acquisition in the northern Marianas.

Mr. WON PAT. I think we are aware we are paying for everything we are getting in the trust territory in northern Marianas.

The Navy took Guam from Spain in 1898. By the Treaty of Paris the whole island was ceded to the United States, and the United States paid not a penny to the Guamanians, up to now.

The military holds a good portion of the land, the best part of the land, the area of the former farming lands.

Previously Guam had an agrarian economy, and lived very well. We are not complaining, but trying to give you a picture of the entire situation in Guam.

Today, of course, as brought out by the Governor and myself, it is a different situation altogether. Because of the existing situation nationally we cannot very well go back to the farm. We did not have what the Governor calls an agrarian revolution, where the people are encouraged to produce as much as they can to offset the high importation of consumer goods.

Thank you, Mr. Chairman.

Mr. BRINKLEY. Thank you, Mr. Won Pat.

Are there questions by counsel?

Mr. TSOMPANAS. No, sir.

Mr. BRINKLEY. Thank you.

Mr. Rice, thank you for your presentation, for its brevity and clarity, and the fact it was so straightforward.

I would like to recognize Congressman Dickinson from Alabama, who is a guest in our audience.

Mr. Clyde Webber is our next witness. He is the national president of the American Federation of Government Employees.

**STATEMENT OF CLYDE M. WEBBER, NATIONAL PRESIDENT OF THE
AMERICAN FEDERATION OF GOVERNMENT EMPLOYEES, AFL-CIO,
PRESENTED BY LOU PELLERZI, GENERAL COUNSEL, AMERICAN
FEDERATION OF GOVERNMENT EMPLOYEES**

Mr. PELLERZI. Thank you, I am Lou Pellerzi, general counsel of the American Federation of Government Employees.

With the chairman's permission I would present Mr. Webber's statement this morning. He had a previous engagement in the Senate, and he is over there, at the present time.

Mr. BRINKLEY. You may proceed.

Mr. PELLERZI. On my right is the national vice president for the international regions of AFSG, who has jurisdiction over our locals on Guam. Mr. Elwyn Lewis.

On my left is Mr. Lynch, our legislative director.

Mr. Lewis and I just returned from 8 days on Guam, and were there when the Navy announced its proposal to close the ship repair installation.

As you know, the AFGE, representing over 700,000 Federal employees in exclusive recognition units, plays a prominent role on Guam through our AFGE local there, Local 1689, which represents more than 1,800 employees in Guam. Of these, approximately 500 are working at the naval ship repair facility, which is the subject of this hearing. We had hoped that Local 1689's leadership and other interested people from Guam could be present here this morning but, unfortunately, this was not possible because of the vast distance of almost 9,000 miles each way which they would have to traverse and our relatively short notice of these hearings.

We do have in mind making their arrangements to travel to Washington in the near future, however, so that they may be able to be on hand for any information Congress may desire from them.

The basic issue before us today is whether the Congress will consider acceptable the risk to U.S. national security which the Department of the Navy appears prepared to take through its plans to diminish, and ultimately to eliminate, the capacity of the Guam Naval Ship Repair Facility, located on U.S. territory in the western Pacific, and to situate those capabilities in Japan and the Philippine Islands.

In addition to these basic considerations of national security, there are the further issues of the U.S. Government's responsibilities for economic and employment conditions on Guam, of the fiscal advantages of operating on Guam, and of the desirability of protecting the foreign exchange position of the U.S. dollar.

We are sustained in the hope that Congressman Won Pat's bill, H.R. 6986, will be enacted, assuring full consideration of all these issues.

Our key naval ship repair facility in the western Pacific should be on U.S. soil and rely on U.S. citizen workers. The United States has lost many bases and facilities which were located on apparently

friendly foreign soil in various parts of the world. Should we now transfer these essential facilities on U.S. territory to territory under the jurisdiction of a foreign government?

The Navy rationalizes its administrative action by placing emphasis on its naval ship repair facilities at Subic Bay, Republic of the Philippines, and on its similar facilities in Yokosuka, Japan, for so-called "economic" reasons. How did those "economic" reasons serve us in Thailand? Did we really save any money there in the long run? Are not the Philippine and Japanese Governments also under ever-growing internal and external pressure to liquidate the American presence in their territories? President Marcos, of the Philippine Republic, has already indicated an intention to take over Subic Bay naval base, or to gain extensive control over its activities. As Congressman Bennett mentioned, the Philippines and Japan are sovereign nations; their responsibility is to act in their sovereign interests, not in the sovereign interests of the United States. And we believe that where we have this option out there in the western Pacific that to act in our own sovereign interest means we should put our facilities on our own territory.

Instead of diminishing our defense facilities on Guam, the Navy should be taking steps to enlarge and modernize Guam's ship repair facility so that the United States can rely on it no matter what fate overtakes our relationships with the Philippines and Japan.

The United States has a moral commitment to foster the economic, political, technological, and cultural growth of the Guam population, which history has united to our own fate. Unfortunately, during 64 years of Navy rule on Guam, the policies adopted did little to meet these commitments. Certainly, there is no history of even a paternalistic moral attitude to develop indigenous industries or economic activities not dependent on naval operations. Given this history, we cannot now in good conscience liquidate a main source of livelihood of a significant part of the population of Guam.

The effects of such action would be particularly discouraging to the young people of Guam who have been trained in apprentice and other programs for employment in the ship repair facility.

Let me add here, Mr. Chairman, if I may, that on our recent visit to Guam we spoke to some of the schoolteachers on Guam, who are American citizen employees, members of the American Federation of Teachers, the AFL-CIO union.

One told a very poignant story of the young Guamanian boy who wanted to enter the ship repair Navy apprentice program. In 1973 there were 137 people in that program; today it is being phased out.

This individual took night training in mathematics to become a machinist. He put 4 years in the program. He did that on the advice of his schoolteachers and counselors as to a career. Now he is without a job, and without the possibility of employment.

It is true people can leave Guam. But that means leaving your home, your family, the place you grew up. We don't think that is a proper or viable, choice to be forced on indigenous Guamanians by our policies in the defense area in that reason.

I understand the subcommittee already has a report entitled, "History of Guam's Public Facilities," prepared for the Government of

Guam, which fully documents the considerations which we have presented. For that reason, I shall not elaborate on them here.

The DOD and Navy Department economic savings cited in their rationale for the realignment of repair work and ultimate closure of the Guam ship repair facility are, unfortunately, misleading.

We ascribe no motives, whatever, we simply are citing the figures as we see them.

Figures provided by the Navy indicated a slow growth in costs at Guam and much higher rates of increase at Yokosuka, Japan, to the point that in fiscal year 1975 costs in Guam would have only been 18 percent higher than in Yokosuka. Unfortunately, the Navy used discrepant techniques of calculating, leaving out of account proper factors for capitalization, amortization, volume of ship repair turnover and specialization in the shipyards. Under those circumstances, the so-called "comparative costs" can be manipulated at will.

As soon as these hearings were announced, the Navy disclosed that the cost advantage of Yokosuka was 45 percent over Guam (previously, it as supposedly only 18 percent). It is evidence, also, that as a result of the Navy policy of sending less work to Guam, fewer "man-days" were worked, and overhead costs were calculated on a decreasing base man-days). Thus, there appeared to be increased costs.

A policy of utilizing Guam's facilities at maximum would have produced the opposite effect. Thus, climbing unit costs in Guam and decreases in Subic Bay and Yokosuka are at least partially the result of a policy of preferential naval repair work assignments and are not related to basic competitive advantages of the other facilities over Guam.

A collateral economic loss of this policy on work repair assignments is a further drain on the U.S. taxpayer. The loss of income tax revenue by the Government of Guam causes further shortages in revenues and the Guam Government must look to the Department of Interior for relief as the administering department for Guam. This results, for example, in food stamp caseload increases and more emphasis on public jobs being created as stopgap measures.

Also omitted by the Navy Department is the fact that the transfer of U.S. workers to a foreign country generally increases support costs for dependents, whether they accompany their principals or apply for separation allowances.

One of the main fiscal problems confronting the United States today, and contributing to the rapid rate of inflation, is the decline in the value of the dollar in the foreign exchange markets. Every time we expend dollars for services in foreign exchange, we increase our need for foreign currency and harm our balance of payment position.

If the repair work now being performed in Guam were transferred to the Philippines or to Japan, it would increase this problem and make it that much more difficult to solve.

In summary and conclusion, we should like to recapitulate our reasons for supporting Congressman Won Pat's bill, H.R. 6896—they are:

First: The best interests of our national security. The key naval ship repair facility in the western Pacific should be on U.S. soil and

rely on U.S. citizen workers. We cannot afford another experience such as we are going through now in Thailand, Spain, and have gone through in many other countries.

Second: Our moral obligations to the population on Guam. The United States has a moral commitment to foster the economic, political, technological, and cultural growth of the Guam population which history has united to our own fate.

Third: Responsibility to the U.S. taxpayer for economy in Government. The DOD and Navy Department economic savings cited in their rationale for the realignment of repair work and ultimate closure of the Guam ship repair facility are, unfortunately misleading. Climbing unit costs in Guam and decreases in Subic Bay and Yokosuka are the result of a policy of preferential naval repair work assignments and are not related to basic competitive advantages of the other facilities over Guam. A collateral economic loss of this biased policy on work repair assignments is a further drain on the U.S. taxpayer. No U.S. taxes are paid by Japanese and Philippine workers. Also, the loss of income tax revenue by the Government of Guam causes further shortages in revenues and the Guam Government must look to Federal agencies, such as the Interior, Labor, and Agriculture Departments for additional financial and program assistance.

Fourth: The obligation to preserve the dollar's value on foreign exchange markets. Every time we expend dollars for services in foreign exchange, we increase our need for foreign currency and harm our balance of payment position. Consequently, it is a real disservice for the Navy Department and the DOD to undermine further the stability of the U.S. dollar, as they would be effectuating the realignment of repair work to foreign-based facilities.

I would like to add a fifth, which is not in my prepared statement, and which is most important from labor's viewpoint. We abhor the policy of cheap defense at the expense of the American worker, who is also the American taxpayer and is also the principal source of revenue for the defense budget. For this administration and this Congress to condone or permit a policy of defense resource allocation that undermines American wage rates and exports American jobs to foreigners, based on cheaper labor rates, we believe is unconscionable, un-American, and my purpose here today is to tell you it is totally unacceptable to labor in this country.

We ask this committee therefore to recommend to the Congress that such a policy be prohibited by law. And there is example precedent for that, Mr. Chairman, as you know, we have Davis-Bacon, Walsh-Healy, service contracts acts, numerous declarations by Congress that the work of the U.S. Government should observe decent wage rates; the services purchased by the Government, the materials purchased by the Government, should be pursuant to negotiated wage rates that are not below the poverty level.

We are grateful to Congressman Won Pat and to this committee, Mr. Chairman, for your bringing this issue to the public's attention in this public hearing. We thank you for this opportunity to testify on this vital issue.

Mr. BRINKLEY. Thank you very much.

You have done a very able job on behalf of Mr. Webber, and I appreciate it on behalf of this subcommittee.

Mr. Lewis represents the local of Guam.

We are glad to have you with us today. And Mr. Lynch is an old friend, and we are glad to have him at the witness table.

I appreciate your remarks in your extemporaneous number 5, when you say you don't believe defense savings should be taken out of the hide of the American worker. I think you will find many people who share that commitment. There is nothing in the world wrong with the self-interest of this country, when it comes to our own citizens, in wishing to be preferred over the citizens of other countries.

Of course the issue here is whether or not there are real savings. And on page 5 I note the percentage comparisons which you have, the shifting from 18 percent to 45 percent by the repair work being shifted to Subic Bay, and I believe to Japan, in preference to Guam.

Then you summarize that on page 7, in item 3.

Mr. PELLERZI. Yes.

Mr. BRINKLEY. You are saying this was happenstance? Or was it a conscious effort in keeping with Navy edicts?

Mr. PELLERZI. I think the difference in those figures was explained this morning, Mr. Brinkley, by Admiral Cooke.

They are figures that were derived from different sources by the Navy and supplied at different periods of time to Congressman Won Pat.

We take issue with the figures that we have seen. We have not gotten enough of the underlying data to really do the kind of analysis of the data we would like to do. But we know the basic source of savings—and I assume the Navy would candidly admit this; the basic source of the savings is the differential in the wage rate. The wage rate in the Philippines is 53 or 56 cents, the average wage rate in Guam for a grade 10 step 2 is \$6.42. That is the difference. It is the basic wage rate.

But the analyses do not take into consideration the tax problems, the foreign exchange problems, the capitalization problems, all of the other problems that should be—and the human problems, the social costs involved, that are peculiar to this island in the Pacific.

This is not the same thing as shutting down or phasing down a naval shipyard in continental United States. It is not the same thing at all.

Our 1,800 members out here in Guam see this problem in a much more realistic and more human light than planners sitting back in Washington see it.

The question came up yesterday at these hearings, suggested by Congressman Bennett, that perhaps that wage rate on Guam was too high, that \$6.42, and that if the wage rate were a little lower we might be more competitive with the wage rates, the 50-cent rate, in the Philippines.

The wage rate is set on Guam by taking the average of 23 wage areas in the United States, which are the 23 largest metropolitan areas in the United States; it is an average of those wage rates.

Mr. Lewis and I were on Guam for a week, just last week, two weeks ago, and we did a little shopping in the stores there. I can tell you an

apple costs \$1.05, one apple. A box of soda crackers weighing 24 ounces attracted my attention because they had a big sale sign, about 4 feet wide, advertising what a great bargain it was. A 24 ounce box of soda crackers was \$5.57 on Guam.

So we do not believe that the citizens of Guam who work in Navy facilities as Federal employees, who are paid Federal prevailing wage rates established under laws enacted by this Congress, should have those wage rates questioned on a competitive analysis against what foreign labor will work for to do defense work.

MR. BRINKLEY. Were those commercial stores, where you were shopping?

MR. PELLERZI. Yes, Mr. Chairman. They were the biggest commercial representatives—there are about 6 main food stores on Guam.

One was called Pay Less, there is another called Save More. While we were there there was an article in the local paper showing what a \$20 shopping order would be in all those stores, and it did not vary more than 60 cents.

MR. ICHORD. The Governor of Guam has testified there is a lot more effort being made now in Guam to raise agricultural products and food products and be more self-sustaining, that that is a change of direction. So at least maybe those apples were fresh.

MR. PELLERZI. I believe they were imported apples. We did a tour of that island. The land where you can raise anything is pretty much on the northern half of that island.

MR. BRINKLEY. Governor, do you raise apples or oranges on there, do you raise apples at all?

GOVERNOR BORDALLO. No.

MR. ICHORD. Pineapples?

MR. PELLERZI. We are talking about a good old red Stark Delicious American apple that was pretty pithy, because it had been in cold storage a long time, but it was \$1.05.

MR. BRINKLEY. Are you saying the cost of living is high, and justifies the wage rates?

MR. PELLERZI. Lettuce was 95 cents a pound. Soda crackers are gold, \$5.57 for a pound and a half of soda crackers. That sells for 39 cents in local supermarkets in the Washington, D.C., area, the same box of crackers; maybe 49 or 59 cents, but not \$5.57.

That is unbelievable. Again, that is part of, I think, the policy of Guam. I think Guam would raise a lot of its own foodstuffs—I mean of our policy, our defense posture on Guam.

MR. BRINKLEY. For the reasons to which you have pointed I think this is a healthy hearing. I think newer dimensions will be provided to the Congress and the people of Guam, as well as its leadership.

MR. WON PAT, the gentleman from Guam.

MR. WON PAT. Thank you, Mr. Chairman.

Thank you, Mr. Pellerzi, Mr. Lewis, and Mr. Lynch, for your fine presentation. I think your statement of course throws a great deal of light on this for the committee.

I am, of course, particularly interested in the cost of living on Guam. Guam is not immune to the inflation we have here. It is much more apparent on Guam. You see, you have to transport goods 6,000 miles from the west coast. Most of the items are imported from the west

coast, although we do import from the Philippines, Japan, Australia, so on. But we do prefer to have American goods, I will tell you that.

And, of course, Guamanians are American citizens. They grew up as I did. I was born and raised under the American flag. And what did it teach me? It taught me American belief, the American way of life, American history. So we have to adopt those things. So you cannot begrudge local Guamanians all these niceties of life. They are entitled to a decent living.

I was responsible for making the Fair Labor Act applicable to Guam. Before that the people of Guam were getting—I was teaching school, and Guam had a military government, we called it the naval Government of Guam. I taught school for 35 cents a day. So figure that out.

Today, of course, the teachers are getting comparable pay to any of the teachers in continental United States.

So of course the average laborer on Guam must receive not less than the minimum wage under law. Also, Guam has a low minimum wage, it is not covered by the Fair Labor Standards Act. Now, we expect skilled workers nationally to get more than \$2.35 or \$2.65. They get \$5, or \$6 or \$7 or \$8 a day. In the Philippines they have a lower standard of living. But we do not take into account all the other factors which make it possible for us to produce what is required.

Now, last year when the Navy first made this reduction in force of 460 people, the representative of the union employees came here to Washington to try to influence the Navy from implementing its decision. But, of course, that was to no avail. We did have a conference with two members of this subcommittee, and with your organization, and we apparently were able to get a bill into Congress. I introduced that bill. It was introduced last year, and it took the Navy 8 months to comment on it. In the interim the island was assured by the Secretary of the Navy that they would do all they could to keep the operation on Guam at the present level.

To my surprise, of course, these announcements came out.

I just do not understand all this. I feel we have a moral obligation to the people of Guam. We are, as Mr. Rice pointed out, spending \$100 million to take care of the trust territory people. We have been asked to take into our Nation the Northern Mariannas people. Why? Because we do have other than our international obligations. We feel we have a strategic interest in this area.

So without further ado, I want to thank you again, Mr. Pellerzi, and your associates, for your fine presentation.

Mr. Chairman, I want to say that I had received further support for this bill from three other gentlemen of this committee—Mr. Treen, Mr. Montgomery, and Mr. Henshaw.

Mr. BRINKLEY. Does the gentleman from Georgia's name appear on there? If not, the gentleman from Guam is authorized to add it. Thank you.

I thank the gentleman from Guam for his comments.

Without objection the full statement of Mr. Webber given by Mr. Pellerzi will be put into the record.

[The following information was received for the record:]

WRITTEN STATEMENT OF CLYDE M. WEBBER, NATIONAL PRESIDENT, AMERICAN
FEDERATION OF GOVERNMENT EMPLOYEES—APRIL 6, 1976

We thank you, Mr. Chairman, and the other distinguished members of this Subcommittee for giving us this opportunity to appear before you this morning and testify on this important issue.

As you know, the AFGE, representing over 700,000 Federal employees in exclusive recognition units, plays a prominent role on Guam through our AFGE local there, Local 1689, which represents more than 1,500 employees in Guam. Of these, approximately 500 are working at the Naval Ship Repair Facility, which is the subject of this hearing. We had hoped that Local 1689's leadership and other interested people from Guam could be present here this morning but, unfortunately, this was not possible because of the vast distance of almost 9,000 miles each way which they would have to traverse and our relatively short notice of these hearings.

They do have in mind making arrangements to travel to Washington in the near future, however, so that they may be able to be on hand for any information Congress may desire from them.

The basic issue before us today is whether the Congress will consider acceptable the risk to U.S. national security which the Department of the Navy appears prepared to take through its plans to diminish, and ultimately to eliminate, the capacity of the Guam Naval Ship Repair Facility, located on U.S. territory in the Western Pacific, and to situate those capabilities in Japan and the Philippine Islands.

In addition to these basic considerations of national security, there are the further issues of the U.S. Government's responsibilities for economic and employment conditions on Guam, of the fiscal advantages of operating on Guam, and of the desirability of protecting the foreign exchange position of the U.S. dollar.

We are sustained in the hope that Congressman Won Pat's Bill, H.R. 6986, will be enacted, assuring full consideration of all these issues.

NATIONAL SECURITY

Our key naval ship repair facility in the Western Pacific should be on U.S. soil and rely on U.S. citizen workers. The United States has lost many bases and facilities which were located on apparently friendly foreign soil in various parts of the world. Should we now transfer these essential facilities on U.S. territory to territory under the jurisdiction of a foreign government?

The Navy rationalizes its administrative action by placing emphasis on its naval ship repair facilities at Subic Bay, Republic of the Philippines, and on its similar facilities in Yokosuka, Japan, for so-called "economic" reasons. How did those "economic" reasons serve us in Thailand? Did we really save any money there in the long run? Are not the Philippine and Japanese governments also under ever-growing internal external pressure to liquidate the American presence in their territories? President Marcos, of the Philippine Republic, has already indicated an intention to take over Subic Bay naval base, or to gain extensive control over its activities.

Instead of diminishing our defense facilities on Guam, the Navy should be taking steps to enlarge and modernize Guam's ship repair facility so that the U.S. can rely on it no matter what fate overtakes our relationships with the Philippines and Japan.

COMMITMENT TO THE POPULATION OF GUAM

The United States has a moral commitment to foster the economic, political, technological and cultural growth of the Guam population, which history has united to our own fate. Unfortunately, during 64 years of Navy rule on Guam, the policies adopted did little to meet these commitments. Certainly, there is no history—of even a paternalistic moral attitude—to develop indigenous industries or economic activities not dependent on Naval operations. Given this history, we cannot now in good conscience liquidate a main source of livelihood of a significant part of the population of Guam.

The effects of such action would be particularly discouraging to the young people of Guam who have been trained in apprentice and other programs for employment in the ship repair facility

I understand the Subcommittee already has a report entitled, "History of Guam's Public Facilities", prepared for the Government of Guam, which fully documents the considerations which we have adduced. For that reason, I shall not elaborate on them here.

THE NAVY'S DUTY TO THE U.S. TAXPAYER

The DOD and Navy Department economic savings cited in their rationale for the realignment of repair work and ultimate closure of the Guam ship repair facility are, unfortunately, misleading.

Figures provided by the Navy indicated a slow growth in costs at Guam and much higher rates of increase at Yokosuka, Japan, to the point that in FY 1975 costs in Guam would have only been 18 percent higher than in Yokosuka. Unfortunately, the Navy used discrepant techniques of calculation, leaving out of account proper factors for capitalization, amortization, volume of ship repair turnover and specialization in the shipyards. Under those circumstances, the so-called "comparative costs" can be manipulated at will.

As soon as these hearings were announced, the Navy disclosed that the cost advantage of Yokosuka was 45% over Guam (previously, it was supposedly only 18%). It is evident, also, that as a result of the Navy policy of sending less work to Guam, fewer "man-days" were worked, and overhead costs were calculated on a decreasing base (man-days). Thus there appeared to be increased costs.

A policy of utilizing Guam's facilities at maximum would have produced the opposite effect. Thus, climbing unit costs in Guam and decreases in Subic Bay and Yokosuka are at least partially the result of a policy of preferential naval repair work assignments and are not related to basic competitive advantages of the other facilities over Guam.

A collateral economic loss of this policy on work repair assignments is a further drain on the U.S. taxpayer. The loss of income tax revenue by the Government of Guam causes further shortages in revenues and the Guam Government must look to the Department of Interior for relief as the administering department for Guam. This results, for example, in food stamp caseload increases and more emphasis on public jobs created as stopgap measures.

Also omitted by the Navy Department is the fact that the transfer of U.S. workers to a foreign country generally increases support costs for dependents, whether they accompany their principals or apply for separation allowances.

THE OBLIGATION TO PRESERVE THE DOLLAR'S VALUE ON FOREIGN EXCHANGE MARKETS

One of the main fiscal problems confronting the U.S. today, and contributing to the rapid rate of inflation, is the decline in the value of the dollar in the foreign exchange markets. Every time we expend dollars for services in foreign exchange, we increase our need for foreign currency and harm our balance of payment position.

If the repair work now being performed in Guam were transferred to the Philippines or to Japan, it would increase this problem and make it that much more difficult to solve.

SUMMARY AND CONCLUSION

In summary and conclusion, we should like to recapitulate our reasons for supporting Congressman Won Pat's Bill, H.R. 6986. They are:

(1) the best interests of our national security. The key naval ship repair facility in the Western Pacific should be on U.S. soil and rely on U.S. citizen workers. We cannot afford another experience such as we are going through now in Thailand and have gone through in many other countries.

(2) our moral obligations to the population on Guam. The United States has a moral commitment to foster the economic, political, technological and cultural growth of the Guam population which history has united to our own fate. Unfortunately, during 64 years of Navy rule on Guam, the policies adopted did little to meet those commitments. The least we can now do is to keep American defense work on American territory and provide jobs to American citizens.

(3) responsibility to the U.S. taxpayer for economy in government. The DOD and Navy Department economic savings cited in their rationale for the realign-

ment of repair work and ultimate closure of the Guam ship repair facility are, unfortunately, misleading. Climbing unit costs in Guam and decreases in Subic Bay and Yokosuka are the result of a policy of preferential naval repair work assignments and are not related to basic competitive advantages of the other facilities over Guam. A collateral economic loss of this biased policy on work repair assignments is a further drain on the U.S. taxpayer. No U.S. taxes are paid by Japanese and Philippine workers. Also, the loss of income tax revenue by the Government of Guam causes further shortages in revenues and the Guam Government must look to Federal agencies, such as the Interior, Labor and Agriculture Departments for additional financial and program assistance.

(4) the obligation to preserve the dollar's value on foreign exchange markets. Every time we expend dollars for services in foreign exchange, we increase our need for foreign currency and harm our balance of payment position. Consequently, it is a real disservice for the Navy Department and the DOD to undermine further the stability of the U.S. dollar, as they would by effectuating the realignment of repair work to foreign-based facilities.

We are grateful to Congressman Won Pat and this Subcommittee for your bringing this issue to the public's attention in this public hearing. We thank you for this opportunity to testify on this vital issue.

ANNEX I

HISTORY OF GUAM'S PUBLIC FACILITIES

PREWAR GUAM

In the year 1898, the island of Guam in the Southern Marianas was ceded by Spain to the United States to be administered as a ward of the United States until such time as the political status of the inhabitants of the territory had been determined. On December 23, 1898, by Executive Order, President William McKinley placed Guam under the control of the Department of the Navy, and Guam was governed by the U.S. Navy until December 1941, when it was captured by the Japanese. In 1899, the territory of Guam was designated a military reservation, and for forty years thereafter, the port of Guam was closed, with few exceptions, to foreign vessels.

The subsistence economy of prewar Guam was based on handicrafts, agriculture and fishing, each family clan sharing, and producing its own basic needs. Goods not produced locally were imported to Guam aboard U.S. Navy vessels.

During the first half of the Twentieth Century, while the economies and infrastructure of other countries were being transformed by the industrial revolution, the clock stopped for Guam. Her economy remained primitive and agrarian. On the other hand, it was relatively self-sufficient, producing rice, sugarcane, corn, cotton, nuts, rootcrops, multiple fruits and vegetables, fish, goats, pigs, poultry and some cattle. Soap, cosmetic oils, clay pots and tiles, and salt was also locally produced.

In 1932 and 1933, Guam was defortified and military installations were downgraded to maintenance levels, and the Naval Government turned its attention to the development of agriculture. In October, 1941, American citizens and Navy dependents were evacuated from Guam in anticipation of an invasion by the Japanese. Despite recommendations in the 1938 Hepburn Report that Guam could be fortified, the U.S. Congress had determined that fortification of Guam against concentrated enemy attack would be difficult and costly. In December, 1941, Guam was invaded and occupied by the Japanese. The enemy met with only token resistance by the local militia, and casualties consisted mostly of families fleeing the City of Agana. Guam's public facilities at the start of the war suffered no damage.

Guam's pre-liberation infrastructure consisted of two main cities, the Port City of Sumay, and the City of Agana, the town of Agat, several villages, bridges, paved roads, side streets, docks, piers, seaplane ramps, hangers, schools, two hospitals, clinics, public laundries, a Governor's palace, Congress building, jailhouse, museum, power plant and transmission lines, cable station, government offices, barracks, police station, courthouse, stables, post office, cathedral, water reservoirs, dams and wells, a sewer system for the City of Agana, warehouses and telephone facilities.

In the Spring of 1944 the neighboring island of Saipan was recaptured from the Japanese at the cost of many hundreds of American lives. On the eve of the recapture of Guam, to safeguard American lives, a decision was made by U.S. military commands to destroy all potential enemy shelters on Guam prior to the landing of U.S. troops. In June and July of 1944, the island was thus bombed, shelled and strafed before its recapture on July 21, 1944. During the blitz the island's public and private facilities were totally demolished. The Cities of Sumay, Agana and Agat Town were levelled by American bombs and shells, along with other villages, stores and farms. It could be said that as of July, 1944, Guam's infrastructure and economy stood at zero, and that Guam's subsequent economic development was to be delayed yet another twenty years.

POSTWAR FACILITIES

U.S. Congressional records show that immediately following the war it was the desire and intent of the Commander, Naval Forces, Marianas to reconstruct Guam's public facilities. On May 11, 1945, the Committee on Naval Affairs of the U.S. House of Representatives met to consider H.R. 2919—"A bill authorizing rehabilitation on the island of Guam." The Chairman of this Committee proposed that the "Secretary of the Navy (be) authorized to construct such permanent facilities for the civil populace of the island of Guam as he may deem necessary for their economic rehabilitation at a cost not to exceed \$15 million in aggregate amount." On May 14, 1945, the bill was favorably reported out of Committee.

On October 9, 1945, the Committee on Naval Affairs of the U.S. Senate met to consider S. 1466—"A bill authorizing rehabilitation on the island of Guam." The testimony offered by representatives of the Chief of Naval Operations and the U.S. Marine Corps favored the prompt authorization of funds. Rear Admiral William T. Smith, Chief Planning Officer of the Bureau of Yards and Docks of the Navy Department, testified before the Senate Committee on October 11, 1945, that it would cost in excess of \$23 million to rehabilitate Guam. Rear Admiral Smith submitted a list of 18 construction projects which included a \$5 million hospital, schools, administrative and village facilities, utilities, a \$2 million power plant and a telephone system. On November 6, 1945, the Senate Committee revised the original list of construction projects, and trimmed the cost down from \$23 million to \$15 million. On November 8, 1945, Chairman David I. Walsh of the Senate Committee further reduced the request for \$15 million to \$6 million.

On August 1, 1946, Public Law 583 was enacted by the U.S. Congress appropriating \$6 million for the reconstruction of Guam's public facilities. The \$6 million was subsequently expended on the construction of the Guam Congress Building, police headquarters, and 40 percent of the streets, sidewalks and minor utilities of Agana and Agat. Guam received no funds for urgently needed hospital, power, telephone, or water facilities.

Three years later in 1949, Admiral Pownall, the Naval Governor of Guam, initiated a second request for \$15 million to rehabilitate the island. In his words, the \$6 million appropriated in 1946 had been found to be "sadly deficient." Admiral Pownall submitted to the Chief of Naval Operations, Washington, D.C., another list of construction projects which included a \$5.8 million hospital, a \$3 million high school, a civil administration building, a commercial pier and a customs house. In September, 1949, the Chief of Naval Operations reduced this request for \$15 million to \$10 million to be expended over a period of eight years. In October, 1949, the Federal Bureau of Budget approved the \$10 million to construct Guam's public facilities. In January, 1950, the Navy's request for \$10 million for civilian projects was shelved, but its own request for \$43 million for military reconstruction was approved.

In conclusion, as compensation for the total loss of Guam's public facilities and economic resources during the battle of liberation, Guam received only \$6.0 million.

GOVERNMENT OF GUAM FACILITIES, 1950-1962

The United States Congress, however, intended that the new Civil Government of Guam established by Organic Act in August, 1950, should start its career with an adequate inventory of property, equipment and facilities. In order to provide for the needs of the civilian community, Section 28(a) of the Organic Act had declared that: "The title to all property, real and personal, owned by the United

States and employed by the Naval Government of Guam in the administration of civil affairs of the inhabitants of Guam, including automotive and other equipment, tools and machinery, water and sewerage facilities, but lines and other utilities, hospitals, schools and other buildings, shall be transferred to the Government of Guam within ninety days after date of enactment of this Act." The U.S. Congress was evidently unaware of the fact that the facilities constructed on Guam during the immediate postwar years were shared jointly by the Navy and the civilian community. Thus, during the specified ninety-day period, although certain public works equipment, some power transmission lines and water-pipes were transferred to the new Civil Government, the highways, power, water and telephone systems, and numerous other properties were not transferred. On the contrary, during the period 1948 to 1950, while the terms of the Organic Act were being drafted, the Naval Government of Guam had initiated a series of 48 condemnation proceedings in the Superior Court of Guam, condemning almost the totality of Guam's water facilities, such as the Fena River Reservoir, the Tumon Maui Wells, Mount Santa Rosa Reservoir, Tarague Natural Wells, the Agana Springs, pumping stations, waterlines and easements, the Tumon Bay recreation area utility lines, the Agana diesel generating plant, and the sub-transmission system Piti steam plant. By 1950 the U.S. Navy had also condemned up to 43 percent of the island's land area—much of it prime agricultural land.

On July 31, 1950, one day prior to the enactment of the Organic Act of Guam, when the land and facilities were to have been turned over by the Navy to the civil Government of Guam, the titles, rights, interests on claims of these condemned properties had been temporarily transferred by quitclaim deed to the United States of America "for its own uses."¹ Thus, on August 1, 1950, when the Organic Act became law, when the facilities were to have been turned over to the Government of Guam, the Navy had few properties left under its own jurisdiction or ownership to transfer to the new civil Government. The Naval command on Guam had evidently felt that the transfer of jointly used facilities and utilities to the Government of Guam would jeopardize its own defense mission.

Condemned along with the utilities, highways, and public facilities were large tracts of land which had for generations been cultivated and made agriculturally productive. Following the cessation of hostilities immediately after the recapture of Guam, when the civilian community was permitted to leave the compounds which had been established for their protection and welfare, many families discovered their farm lands had been declared off-limits and condemned. For this reason many families abandoned all thought of returning to their former way of life as farmers, and overnight, as it were, Guam was transformed from a relatively self-sufficient productive entity into a totally dependent community which, until this day, imports over ninety percent of its needs.

The Government of Guam thus started its career on August 1, 1950 with a capitalization of only \$2.9 million, no utilities or public facilities of its own, apart from the new Congress Building and police headquarters constructed in 1946, and no form of productive economy. For the next seventeen years, from 1945 until November, 1962, the citizens of Guam lived and worked in quonset huts and temporary wooden structures which had been erected by the U.S. military government after the war. The Commercial Port, airport, hospital, schools, and government administrative offices occupied quonset huts. Annual Government revenues were limited. Having no funds to build utility systems of its own, the Government of Guam had to rent or purchase its water, power and telephone needs from the Navy.

In the year 1963, when testifying in favor of the proposed Rehabilitation Act, the Acting Secretary of the Interior, John A. Carver, Jr., accurately described postwar Guam: "Twenty years ago the island of Guam became the only American community, except for the Philippine Islands, to be ravaged by war during World War II. The postwar Guam which was built on the ruins of the prewar community was a community of makeshift homes, quonset huts, and generally sub-standard facilities."²

¹ The properties were retransferred by Presidential Executive Order on October 30, 1950.

² The quonset world of postwar Guam was witness to the fact the U.S. Government did not reconstruct public facilities destroyed by U.S. bombs and shells.

Government of Guam revenues during the first twelve years of its existence—from 1950 to 1962—were derived almost exclusively from military reconstruction activities for which \$43 million had been appropriated in 1950. Although Guam had been granted civil rights and some control over its internal affairs, with the passage of the Organic Act in August, 1950, the island remained until June, 1962, under the strict control of the U.S. Navy which enforced Naval Security Clearance Regulations.³ These regulations, with few exceptions, placed Guam off limits to all non-Guamanians, and prevented the development of trade and commerce with the outside world. As a result, during the period 1950 to 1962, the territory of Guam was unable to develop its economy. In lieu of revenues from private industry, the Government of Guam subsisted upon the few taxes derived from military-related construction projects and associated service industries. Revenues during this 12-year period were barely sufficient to support Government operations, leaving no adequate surplus available to fund needed capital improvements.

REHABILITATION

Typhoon Karen in November, 1962, destroyed the quonset huts and temporary wooden structures which had been erected by the U.S. Marines after the Second World War. The Guam Legislative building and police station which had been constructed of concrete in 1946 with the \$6 million postwar reconstruction funds withstood the onslaught of 180 mile-per-hour winds. Although the typhoon devastated the island, it resulted in a federal authorization in November, 1963, of \$45 million to rehabilitate the island. With the exception of some Hill Barton funds utilized to build schools, this represented the first time the Civil Government of Guam had capital at its disposal to build a modern infrastructure. The initial construction work on schools, village facilities, public work buildings, sewer, water, power, warehouse and air terminal facilities in fiscal year 1965, barely ten years ago, represented the first attempt made by the United States Government to bring the island of Guam back into the Twentieth Century. In March, 1968, when it was clear that \$45 million was inadequate to rehabilitate Guam, the funds authorized by the Rehabilitation Act were increased to \$75 million.

The Rehabilitation Act funds were utilized to build those permanent basic public facilities destroyed by American bombs during the liberation of Guam in 1944. They were expended on the construction of schools, port facilities, a small air terminal, medical centers, village facilities, a penitentiary, public works, administration buildings, limited sewer and water facilities, a small power substation and other projects basic to a modern economy.

*** water and sewer systems had been implemented. Two-thirds of the island remain totally undeveloped. Again, it was evident that the infusion of \$75 million into Guam's infrastructure was insufficient to lay the foundation for a modern industrial economy.

Due to the recent worldwide recession, to conservative monetary policies in Japan, the cessation of charter flights between Guam and Japan, the withdrawal of Trans World Airlines, and high inflation rates, tourism on Guam has also declined. The market for apartments, offices and tourist facilities has suddenly become saturated. Additionally, four-hundred high-priced houses have stood on the market unsold as of January, 1975.

When the dust of reconstruction finally settled on Guam in December, 1973, it became clear that little real progress had been made on Guam's economic development, apart from tourism and a handful of light industries. Guam today has but one foot in the modern world. The other lags far behind in the world of pre-industrial development. Indeed, since pre-liberation day in 1944, Guam's economy productivity has regressed rather than progressed. Since July 1944 she

³ The Naval Security Regulations were abolished by President Kennedy in June, 1962.

has become totally dependent on imports and external financial support in contrast to earlier periods in her history when she was agriculturally productive and relatively self-sufficient.

RECESSION

Recent statistics indicate the severity of Guam's economic plight.

EMPLOYMENT

Total employment on Guam has declined from 39,940 as of December, 1973, to 31,600 as of January, 1976. Since January, 1976, an additional 200 persons have lost their jobs, and another 330 at the Guam Naval Ship Repair Facility are threatened with termination by June, 1976. Employment by the federal government on Guam has decreased from 7,500 as of June, 1973, to 6,100 in January, 1976, and will further decrease by several hundred by June as stated above. Employment by the Government of Guam has declined from 9,200 in September, 1975 to 8,500 as of January, 1976, and will continue to decline each month so long as revenue income declines. Employment in the construction industry has declined from 8,730 as of December, 1973, to 3,500 as of January, 1976. Since alien construction workers have been returning to their point of hire at an average rate of 250 per month, over the past nine months⁴ employment in the construction industry as of March, 1976, is now down to an estimated 3,000—many of whom are working considerably less than 40 hours per week. Total unemployment on Guam as of March, 1976, has been estimated at 12%. By June, 1976 this rate is expected to increase to 14%, as layoffs occur within the U.S. Naval installations, as companies decline bankruptcy, or decide to fold up and depart Guam. Underemployment is widespread in the private sector of the community due to the fact that many employees in supermarkets and department stores have been placed on a 32-hour work week to avoid layoffs.

Compounding the problem of unemployment is the fact that Guam has no unemployment insurance program to fall back upon. Additionally, those laid off cannot afford to uproot their families to travel to the mainland in search of new job opportunities. Welfare cases are on the increase. Statistics show that they have increased from 963 cases in 1970 to 1,569 cases this fiscal year—the major increase in cases occurring during the last two years. Also, because of the scarcity of jobs on the island, applications for welfare assistance representing 900 Vietnamese refugee individuals have been filed with the Guam Department of Public Health and Social Services.

Many school and college graduates last summer failed to obtain employment on Guam, and many migrated to the U.S. mainland in search of jobs. This summer, since neither the Government of Guam, the federal agencies, nor the private sector are recruiting new employees, school graduates and those graduating from college on the mainland will not be able to obtain employment. Many of Guam's brightest students have stated they will not return to Guam this summer since the island offers them nothing in terms of professional careers.

RECESSION STATISTICS

Gross receipts for the construction industry declined from \$126 million in fiscal year 1974, to \$105 million in fiscal year 1975. Cargo landed at the Commercial Port of Guam declined from 670,000 revenue tons in fiscal year 1974 to 534 revenue tons in fiscal year 1975. Building permits declined from 3,500 at a value of \$116.7 million in fiscal year 1974, to 1,716 valued at \$62.2 million in fiscal year 1975.

FORECLOSURES

Levy and mortgage foreclosures have increased dramatically in number and value since 1972. During the years 1972 and 1973 there were seven foreclosures valued at \$302,888. In 1974 there were 20 foreclosures valued at \$530,693. In 1975 foreclosures increased to 31 valued at over one million dollars. During the first two months of 1976 foreclosures numbered 47 valued at \$2.2 million. If current trends continue in calendar year 1976; foreclosures could mount to in excess of \$13 million.

⁴ U.S. Immigration & Naturalization Service monthly report.

REVENUES

The impact of Guam's economic recession upon annual revenues has been drastic. Whereas General Fund revenues for fiscal year 1975 amounted to \$117 million, revenues anticipated for this fiscal year are down to \$107 million. While revenues are on the decline, the cost of government services increases annually due to high inflation rates and an annual increase in the civilian population influenced by the fact that the immigration of alien permanent residents into Guam increases each year at the rate of 11%. According to the U.S. Census of 1970, Guam registered 6,428 permanent resident aliens. * * * The only natural lake on the island in the south was condemned prior to 1950 and converted into a reservoir to supply water to the military population.

Climate.—The energy and heat of the year-round tropical sun is almost totally unutilized. The climate has not yet been sufficiently sold to tourists, nor has it been exploited to produce the many varieties of fruits, grain, vegetables, root-crops, nuts, flowers and trees which could grow in great quantity all year round. Such crops as coffee, cotton, bananas, peanuts, pineapples, corn, cocoa and tobacco are of a particularly fine quality when compared to products of other regions. Should the production of solar cells ever prove commercially feasible, Guam's year-round sunshine would prove to be a valuable resource.

Wind.—The trade winds blow over Guam almost continuously. This energy source has not been tapped to produce energy, nor is the sport of sailing widely exploited for both tourists and residents.

Soil.—Guam's fertile soil is almost totally unexploited for agriculture or animal husbandry, and no attempt has been made to cultivate trees which would yield hard termite-proof wood, such as Nara or Wildwood which could be utilized for construction. The open pastures on Guam's hillsides could be used for the grazing of cattle, goats, pigs and horses, but this natural resource is unused. Moreover, the sports and tourist potentials of the mountains of southern Guam have only been partially used.

The prime reason for the lack of exploitation of Guam's soil resources is the fact that the prime arable lands in southern Guam were condemned by the Naval Government prior to 1950—specifically the thousands of acres around the Fena Reservoir—and today lie idle, infested with weeds and unproductive. The choicest portions of Guam's territory from the point of view of agricultural production are off-limits to the original landowners. Guam can neither render the land productive, nor does it acquire any annual real estate taxes from these properties.

Legal/Political Climate.—The fact that Guam is an American territory provides an attractive legal/political climate to offshore industries considering Guam as a possible base of operations. The stability of the American democratic form of government and the political protection afforded the island as a result of its relationship to the United States, guarantees the prospective investor freedom from the fear of sudden nationalization and forfeiture; and freedom from political harassment.

The stable legal system under which Guam's commerce operates also provides security to the American investor, incorporating known rules and regulations for such matters as currency transactions, contracts, banking and insurance. In addition, the people of Guam themselves possess a rich heritage of culture and traditions which renders life on Guam pleasant and attractive to visitors and tourists.

Human Resource Potentials.—In December, 1973, Guam's total work force amounted to 39,940, of whom approximately 8,700 were alien laborers imported to Guam under the terms of the H-2 Program provided by federal law. Thus, in 1973 there were an estimated 31,240 local U.S. citizens and permanent residents in the Guam labor market. As of September, 1975, however, there were only an estimated 30,000 persons in the resident civilian labor force despite the annual influx into the market each year of student graduates and permanent alien residents. This indicates that significant numbers of potential workers have migrated from the Guam scene due to the lack of job opportunities.

As of March, 1976, it was estimated that over 4,000 of the potential work force of 30,000 was unemployed and that the unemployment rate was 14%. An addi-

tional 1,000 persons may be expected to swell the potential labor force next June following graduation from school. While the unemployment rate can be expected to rise, many potential workers may be expected to migrate from Guam to seek employment elsewhere. It is estimated that given the availability of employment on Guam, the local work force might have increased from 31,240 counted in December 1973, to about 34,000.

Mr. BRINKLEY. What is the chief source of fresh water in Guam? Is it not that lake at the lower portion of Guam?

Mr. PELLERZI. That is my understanding.

Mr. WON PAT. Right in the lower portion of the red area, Mr. Chairman, and that is also where the revetments, the ammunitions, are stored.

Mr. BRINKLEY. On page 3 of the addendum, I notice emphasis is provided about the condemnations happening in the last 2 years before 1950, where much of the choice agricultural land was condemned.

Mr. WON PAT. That is very true. The best land of Guam. Naturally, you don't blame the Navy, they wanted the best land, like anybody else.

On the northern part of the island it is largely coral, a plateau. The southern half of the island is volcanic.

Mr. PELLERZI. Mr. Chairman, the appendix to my statement to which you referred has some skips in the pages. Those are intentional, the parts deleted. For example, it goes—page 8 is missing, and pages 12, 13 and 14, are deleted. But there is no break in the substance of the paper. They were deleted because they were not as relevant as the other portions.

Mr. BRINKLEY. It will appear as you have submitted it to the committee, notwithstanding, the nonsequential numbering of the pages.

Mr. PELLERZI. Thank you.

Mr. BRINKLEY. Thank you very much for your statement, Mr. Pellerzi, and Mr. Lewis, and Mr. Lynch for your presence before us.

Please tell Mr. Webber we look forward to seeing him another day.

Admiral Cooke, we appreciate your being with us, and your supporting witnesses from the Navy. I am sorry I missed being with you at the early part of the hearing. I was on another duty.

Admiral Cooke. Thank you, Mr. Chairman.

Mr. BRINKLEY. Mr. Rice, we appreciate your presence today. If there is nothing further, the subcommittee will stand in recess until further call of the Chair.

[Whereupon, at 11:55 a.m., the subcommittee recessed, subject to further call of the Chair.]

