

Testimony of Senator Felix Camacho, Chairman of the Committee on Tourism, Transportation and Economic Development, 26th Guam Legislature, before the General Accounting Office Commercial Activities Panel, August 15, 2001, Lackland Air Force Base, San Antonio, Texas

Contact David S. Germroth (703) 660-9246 for questions or further information

INTRODUCTION

Hafa Adai yan buenas dihas—Hello and good morning from the island of Guam. My name is Felix Perez Camacho. I am currently serving my fourth term in the Guam Legislature, where I now chair the Committee on Tourism, Transportation and Economic Development.

Let me express my thanks to the Commercial Activities Panel for the inviting me to present testimony today on Guam’s experiences with the A-76 process—which can only be described as disastrous to our economy and way of life.

Guam is the southernmost of the Mariana Islands of the Western Pacific. Six-thousand miles from the continental U.S., our island of 140,000 patriotic American citizens is proud of its 102 year-long relationship with the United States and, particularly, the U.S. military.

The entire island was designated a Naval Station from August 7, 1899 until December 10, 1941—when Guam was captured by the Japanese. Our island was under occupation for 44 months, during which time many Chamorros paid with their lives for their patriotism to the United States.

Within months of liberation Guam and our neighbor islands became vital launching sites for air and sea strikes in the Western Pacific culminating when The Enola Gay took off from a Marianas airfield on her historic and poignant mission to Hiroshima.

During the Korean and Vietnam conflicts, Guam was a major strategic staging point. During December 1972, when I was just a high school freshman, 150 B-52’s flew a record 729 sorties over Vietnam in just 11 days. Just a few years later, 40,000 Vietnamese refugees were evacuated to Guam in Operation New Life.

As the military began downsizing at the conclusion of the Cold War, Guam was not immune. Naval Air Station Agana, the Navy’s Ship Repair Facility and other units were shut down during the 1995 BRAC round.

But as late as 1980, Guam was exempted from A-76 studies because of its geographic isolation, unique economic situation and its strategic importance to national security. None of these factors has changed in 20 years; in fact, they are today more evident than ever as the Western Pacific moves to the forefront of American defense interests.

Nonetheless, the largest ever outsourcing study began with the Navy on Guam in the mid-1990's. Its implementation followed on the heels of major base closures, the onset of the Asian economic crisis, an 83% drop in tourist arrivals from Korea following the crash of a Korean Air Lines jet, and destruction from Super typhoon Paka—all of which contributed to economic catastrophe for Guam.

HOW BAD IT IS: NO LOCAL BUSINESS OPPORTUNITIES

Many Guam business leaders initially welcomed the outsourcing of civil service jobs on our island. They expected that small business owners like themselves would get at least a small piece of the pie. Instead corporate giants like Massachusetts based Raytheon and seven major off-island subcontractors have gotten millions while the people of Guam have seen only the negative impacts—record high unemployment, a collapsing housing market, and disintegrating families.

Rear Admiral ME Janczak, then Commander of U.S. Naval Forces Marianas, told our people (Nov. 6, 1997, the Navy's *Pacific Navigator*)

Quote—Local companies do have the opportunity and are encouraged to compete as subcontractors. The Navy is working hard... to ensure that the island's small businesses are postured to take advantage of potential business opportunities generated by the competition—Unquote.

Janczak went on:

Quote—The Navy fully recognizes the importance of this issue to our federal civil service employees and the potential impact of the study on the economy of Guam... economically, Guam will experience a shift from public sector expenditures to private sector business with local small businesses benefiting from the shift—Unquote.

Charles Dry, president of Raytheon Technical Services Guam was quoted as saying (Jan. 4, 2000, *Pacific Daily News*)

Quote—Raytheon prefers to do business with licensed Guam contractors—Unquote.

In reality, only three local companies were awarded subcontracts—one that later lost its contract and two that do only janitorial and landscaping work. Guam's local small business has not benefited at all from outsourcing. The contracts, and any profits, have been directed off-island with the best jobs going to non-Guam residents brought to fill the positions of civil service employees driven out, as Mr. Cruz has discussed.

Raytheon also announced it would replace 1,200 civil service workers with around 1,000 local workers.

In reality, 1,410 civil service workers—with an average pay between \$30,000 and \$40,000 and representing 35% of the households able to afford a home—were eventually

displaced. Raytheon actually hired less than 600 local workers—virtually all at low wages—and only a handful of local contractors ever received subcontracts.

The loss of a ready, skilled workforce has meant more than just a crippling “brain drain” to our island. Potentially, it could leave a strategic asset of the United States without the skilled workers necessary in an international crisis or conflict on the Pacific Rim.

HOW BAD IT IS: JOBS AND FAMILIES

A-76 has also has a shameful impact on our people. Since the A-76 process began on Guam (1997) unemployment has increased from 9% to a recent high of 17%. The Chamorro people are industrious and hard working. Our people want jobs, they want to provide for their families. But many simply cannot any longer.

Displaced civil service employees have been forced to leave the island of their birth to seek opportunities elsewhere or give up the benefits they have spent their lives working to build.

For the Chamorro people of Guam, family is the cornerstone of our society. We say: *I familia i puntan tinituhon inafa'maolek, inakomprende, inagofli'e' yan ina'ayuda*—The family is the starting point of caring, understanding, loving and helping each other. That value has been lost for thousands of our families. It is not uncommon today to meet a Chamorro on Guam who has more relatives living in California than on our island.

HOW BAD IT IS: HOUSING MARKET

The flight of people from Guam and the loss of good paying jobs have caused the local real estate market to collapse in the past four years. A home appraised for \$155,000 in 1999 is worth only \$125,000 today. The worth of a single-family home has dropped 20% and condominium values have dropped 36%.

More than half of all homes are occupied by renters. Homes that rented for \$1,200 a month now rent for \$650, while the owners—still paying the higher mortgages—pay the difference.

This has led been accompanied by a dramatic rise in foreclosures. Since 1998, the number of foreclosures has nearly doubled to 500 in 2000. That represents one in every 100 family homes.

HOW BAD IT IS: LOCAL TAX BASE

The cumulative effect of rising unemployment, the drop in the housing market and foreclosure rate has radically diminished the tax base of the island.

Total government revenues for FY 1997 were \$515 million. FY2002 estimates are \$420 million, nearly 20% less.

This has led to cuts in health care, education and basic government services. Next year nearly 4,000 indigent residents may be without health care because of cuts that are being forced in government spending. Even our schools, long protected from budget cuts, will face cuts in the coming fiscal year.

CRITICISM OF THE PROCESS

Criticism of the A-76 process has been mounting not only on Guam but throughout the nation. United States Sen. Dick Durbin, chairman of the Government Management subcommittee, has been so disturbed by A-76 process irregularities he's called for a freeze on new contracts and introduced legislation to reform the process.

Of course, there was also the condemnation of the A-76 competition here at Lackland by the Pentagon's Inspector General and members of Congress. A-76 competitions for at least four military facilities here in Texas have been suspended. Texas has 30 Congressman and two U.S. Senators—Guam has only a non-voting delegate.

And Texas isn't the only place. Hawaii, like Guam, is economically isolated and strategically located. In the last two years, A-76 decisions there have been reversed for Shoefield Barracks and the Pearl Harbor Defense Fuel Support Point.

Oahu Congressman Neil Abercrombie called the decisions a—Quote—victory for common sense, efficiency and loyalty—Unquote—that recognized the intangibles that must be considered for national security. Every factor that makes Hawaii a bad place for outsourcing is doubly true for Guam, which is 4,000 miles further away from the U.S. mainland.

In all, the U.S. Office of Personnel Management and Federal Labor Relations Authority have issued more than 70 decisions limiting the A-76 process.

Significant among these are prohibitions against contracting out “mission/emergency essential” services and not in the national interest. For Guam, the only American soil in striking range of Communist China, the case of national security exemption can plainly be made.

CONCLUSION: WHAT WE WANT

Three years ago, I was a sponsor of resolution passed unanimously by the 24th Guam Legislature. The resolution, which was sent to the military and the U.S. Congress, predicted, accurately, the socio-economic affect on Guam of outsourcing. It explained Guam distinctive place as an cut off, island economy and a militarily strategic asset to the United States—the reasons Guam is not a good place for outsourcing experiments.

Today our people ask for the same things we sought three years ago—the reinstatement of an exemption for Guam from further A-76 actions.

Outsourcing on Guam has been a tragic mistake. Families have been torn apart, people have been put out of work, our people's investments have been made worthless and our Government is near bankruptcy.

Again, *Si Yu'us Ma'ase*—or thank you—to the panel for its willingness to hear of Guam's experience with the A-76 process.

I renew my invitation for members of this panel to visit Guam and see first hand the effects outsourcing has had on our island, its economy and its people. Guam recently celebrated the 57th anniversary of its liberation from Japanese occupation during World War II. We hope we can look forward to a new liberation from the devastation brought by the loss of jobs and incomes for our people.