

Preparing for Growth on Guam

By Jay Rojas, M.S.A.M.E.

On July 21, 1944, the 3rd Marine Division liberated the island of Guam, ending three and a half years of Japanese occupation. In the weeks following the United States' re-capture of the island, while the Marine Corps continued its search for remaining Japanese occupation strongholds, the 144th Naval Construction Battalion immediately began the reconstruction effort. Seventy years later, the 3rd Marine Division will return to Guam not to liberate it, but to call it home.

Since the battle of Guam in 1944, the island has grown to become one of the Pacific Ocean's most popular tourist attractions. With more than 1.2 million visitors each year, tourism is by far the 209-mi² island's top industry. In response to the influx of out-of-towners, local business leaders spawned new ventures, new developments and new buildings as the island coped with the burgeoning industry. The local business

community managed well over these years; however, while tourism has long been the prime industry on Guam, the expansion of another of the island's industries is on the horizon.

Guam, the westernmost U.S. territory and largest island in Micronesia, is anticipating a movement from Okinawa, Japan, to its shores of 8,000 U.S. Marines along with their more than 9,000 dependents, in addition to support staff and residual industry professionals. The expected relocation represents an increase in the island's population by more than 23 percent in less than five years. Local business leaders anticipate that such a population boom will create growing pains, and their apprehension is not unfounded; the looming buildup has been categorized as the largest in U.S. military history. A construction surge of such magnitude has not happened on Guam since the rebuilding of the island during the post-occupation era.

With the anticipated arrival of more than 8,000 U.S. Marines and their 9,000 dependents, local contractors on Guam plan to lend a hand.

The Nimitz-class aircraft carrier *USS Ronald Reagan* pulls into Agana Harbor off the coast of Guam in July 2008. The expected relocation of more than 8,000 U.S. Marines and their dependents from Okinawa, Japan, will increase the island's population by more than 23 percent in less than five years.



U.S. Navy photo by MC2 Jennifer S. Kimball

Staying Competitive

Guam's business industry has grown at a steady pace since the conclusion of World War II. By the time tourism began to expand in the mid 1990s, the island had close to 40 years to prepare for the increased activity. Since the 1980s Guam has seen a steady flow of immigrants from Asia as a result of opportunities created by the increased tourism, but with many of the island's businesses homegrown, very few large U.S. corporations have taken root on the island. Ranging from franchises to private ventures to new corporate establishments, many of the island's businesses remain small and family-owned and -operated.

To stay competitive in the evolving and increasingly diversified Guamanian economy, small businesses will need to cope with the challenges that lie ahead. These challenges range from Guam's secluded geographic location to the limited number of skilled professionals in Guam's construction industry. With an extremely accelerated growth in population anticipated and estimated sums of cash ranging from \$10 billion to as much as \$20 billion committed by the federal government, many local businesses worry that they may be overlooked. As a result, local industry professionals have taken the initiative to prepare themselves.

Collectively, local businesses are taking the necessary steps to ensure that many of the projects planned by the Department of Defense (DOD) will have local input and expertise. For instance, the University of Guam has established a Procurement and Technical Assistance Center to help small businesses compete for federal projects. Nonetheless, the question remains: How much will be subcontracted to these small local businesses?

Even during times of financial stress, natural disasters and reductions in U.S. military presence, Guam's population has seen moderate but steady growth. The growth that will take place on Guam over the next decade will create opportunities and could potentially reap benefits never before seen for the island of Guam, as well as for the entire Western Pacific region.

Developing the Local Workforce

Although sustained business training would be most beneficial in preparation for the federal projects planned for the buildup, businesses on Guam are pushing to ready themselves largely without any formal programs to assist. However, two industry organizations—the Guam Chamber of Commerce and the Guam Contractors Association—have taken steps to assist local contractors in advance of the tipping point.

The Guam Chamber of Commerce, with its close ties to the local armed forces, is working to foster its existing relationships with military leaders currently on the island and maintain their mutually beneficial affiliation. The chamber spearheads communication between the government of Guam and its members to ensure local businesses are aware of what will be required to support the coming growth.

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Close to 20,000 additional construction employees will be needed on a contractual basis to handle the level of construction activity required for FY10 through FY13. Few of those workers will stem from the local population due to the fact that the required number of skilled workers simply does not exist on the island. To combat this deficit, the Guam Contractors Association, in conjunction with many of the island's businesses, formed the Guam Trades Academy to help train the local workforce.

The Guam Trades Academy has had a very short but successful history of training in construction skills and apprenticeships. So far more than 200 students are enrolled in the academy's various programs. While certainly a step in the right direction, clearly the academy's graduates will fall far short of satisfying the total workforce needs during the peak of construction activity.

The Challenges Ahead

Fortunately, the economy of Guam has not been adversely affected by the recession in the U.S. Due to local banking institutions that have remained conservative in their lending practices, most have remained insulated from the mortgage downturn on the mainland. However, the Guamanian economy is not self-sufficient nor near a working surplus.

With the anticipated buildup, issues will arise that will need to be addressed quickly and efficiently. For instance, it remains to be seen how the credit crunch will affect the growth of the island's businesses in the future. How much will the U.S. economy limit funding to institutions that do business on Guam? Will funding sources even entertain supporting a local government that must prepare for such large development without published figures? An issue arguably more crucial is how much of these costs will be assumed by DOD.

Guam's infrastructure requires vast improvements to accommodate the massive influx of people and construction activity. Guam's Department of Public Works must find more than \$3 billion in funding for its transportation plan, which now projects the island's traffic patterns will reach previously-estimated 2030 levels by 2013. The Port Authority of Guam must double the capacity of Guam's only commercial marine port to handle increased shipments of construction materials on top of planned normal growth. The Guam Waterworks Authority must invest \$250 million in wastewater improvements to support local industries today, not taking into account improvements that will need to be in place prior to the relocation.

Local businesses on Guam are preparing themselves for the proposed buildup. But success will require the full commitment of DOD to help sustain the local economy and assure that Guam's individual and small businesses can maintain the island's growth once the redeployment is complete. **TME**

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