



CARL T.C. GUTIERREZ  
GOVERNOR OF GUAM

OCT 23 1997

Refer to  
Legislative Secretary

The Honorable Antonio R. Unpingco  
Speaker  
Twenty-Fourth Guam Legislature  
Guam Legislature Temporary Building  
155 Hesler Street  
Agana, Guam 96910

OFFICE OF THE LEGISLATIVE SECRETARY
ACKNOWLEDGMENT RECEIPT
Received By <u>Joni Gumatarta</u>
Time <u>4:35 p.m.</u>
Date <u>10-23-97</u>


Dear Speaker Unpingco:

Enclosed please find a copy of Substitute Bill No. 46 (COR), "AN ACT AUTHORIZING THE CONSTRUCTION AND OPERATION OF A PUBLIC ANIMAL PROCESSING FACILITY (SLAUGHTERHOUSE) BY A GUAM COMMERCIAL CORPORATION.", which I have signed into law today as Public Law No. 24-96.

There has been a demand from the hog farmers of Guam for a number of years to have a licensed, certified slaughterhouse on Guam in order to provide for the growth of the hog industry. A facility such as this would allow pork to be sold in local stores and would allow pork products to be exported outside of Guam. Although many hogs are slaughtered locally, this is done on a private basis, and the meat products cannot be entered into commerce.

This legislation allows for setting up a corporate form of business for the new slaughterhouse, with the support of the Department of Agriculture for the first year. This will give this new and complicated business the impetus to firmly establish itself and become the start of a more defined agribusiness on Guam.

Very truly yours,

  
Carl T. C. Gutierrez  
Governor of Guam

Attachment

cc: The Honorable Joanne M. S. Brown  
Legislative Secretary

00500

Office of the Speaker  
ANTONIO R. UNPINGCO  
Date: 10-23-97  
Time: 1:55  
Rec'd by: [Signature]  
Print Name: Charles Jones

TWENTY-FOURTH GUAM LEGISLATURE  
1997 (FIRST) Regular Session

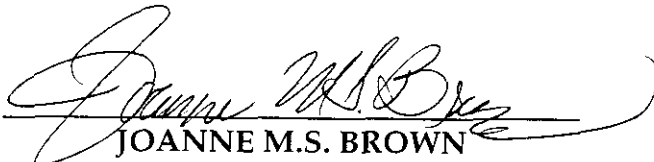
CERTIFICATION OF PASSAGE OF AN ACT TO THE GOVERNOR

This is to certify that Substitute Bill No. 46 (COR), "AN ACT AUTHORIZING THE CONSTRUCTION AND OPERATION OF A PUBLIC ANIMAL PROCESSING FACILITY (SLAUGHTERHOUSE) BY A GUAM COMMERCIAL CORPORATION," was on the 9<sup>TH</sup> day of October, 1997, duly and regularly passed.



ANTHONY C. BLAZ  
Acting Speaker

Attested:



JOANNE M.S. BROWN  
Senator and Legislative Secretary

-----  
This Act was received by the Governor this 14<sup>th</sup> day of October, 1997, at  
8:15 o'clock 9 .M.



Assistant Staff Officer  
Governor's Office

APPROVED:



CARL T. C. GUTIERREZ  
Governor of Guam

Date: 10-23-97

Public Law No. 24-96

**TWENTY-FOURTH GUAM LEGISLATURE**  
**1997 (FIRST) Regular Session**

**Bill No. 46 (COR)**

Substituted by the Committee on Agriculture,  
Land, Housing, Community and Human  
Resources Development and as amended  
on the Floor.

Introduced by:

Committee on Rules,  
Government Reform and  
Federal Affairs.

By request of the Governor  
in accordance with the  
Organic Act of Guam.

Mark Forbes

F. B. Aguon, Jr.

A. C. Blaz

J. M.S. Brown

Francisco P. Camacho

M. C. Charfauros

E. J. Cruz

W. B.S.M. Flores

L. F. Kasperbauer

A. C. Lamorena, V

C. A. Leon Guerrero

L. Leon Guerrero

V. C. Pangelinan

J. C. Salas

A. L.G. Santos

F. E. Santos

A. R. Unpingco

J. Won Pat-Borja

**AN ACT AUTHORIZING THE CONSTRUCTION  
AND OPERATION OF A PUBLIC ANIMAL**

**PROCESSING FACILITY (SLAUGHTERHOUSE) BY  
A GUAM COMMERCIAL CORPORATION.**

1           **BE IT ENACTED BY THE PEOPLE OF GUAM:**

2           **Section 1. Background and Legislative Findings.** The construction of  
3 a commercial slaughterhouse to enhance the local meat industry in Guam has  
4 been advocated by successive Administrations and Legislatures for more than  
5 twenty (20) years, but has never been implemented. Since 1991, the  
6 Department of Agriculture has assisted Guam hog producers by promoting  
7 selective breeding to improve hog quality and herd size under its artificial  
8 insemination and swine distribution program. Further benefits of that  
9 program are limited by a lack of commercial slaughterhouse facility.

10           Public Law No. 20-68 appropriated the funding and Public Law No.  
11 20-197 designated a site in the Municipality of Yigo for the construction of a  
12 slaughterhouse. Facility plans were approved by the U.S. Department of  
13 Agriculture, as required by federal law, but the three (3) year approval time  
14 lapsed in July 1995.

15           Revised plans have now been approved by the USDA, with the  
16 approval valid through 1998. Inadvertently, however, the property  
17 designated by Public Law Number 20-197 for the animal processing facility  
18 was subsequently transferred to the Chamorro Land Trust on February 18,  
19 1994. For any future plans for the use of said property for a slaughterhouse,  
20 the lot in question needs to be transferred out of the Chamorro Land Trust  
21 Commission.

22           While the construction funding for the slaughterhouse in the amount of  
23 \$250,000.00 had been appropriated by P.L. No. 20-68, the present government

1 of Guam fiscal realities make availability of funding unlikely in the  
2 foreseeable future. It is therefore appropriate that construction and start-up  
3 financing be obtained from commercial sources instead of from government  
4 funds, and that the operation be organized from the start along commercial  
5 lines. Because of the nature of the project, and to help obtain better financing  
6 terms, thereby helping ensure eventual economic success, a loan guarantee  
7 from the government of Guam, instead of direct appropriations, would be  
8 proper and useful.

9       Also, while P.L. No. 20-197 had legislated for a government operated  
10 slaughterhouse during the first year of operation, the best means of  
11 accomplishing this is to authorize the formation of a private corporation, and  
12 operating under private-sector commercial rules of business, including, but  
13 not limited to, private-sector financing, construction and service contracting,  
14 personnel hiring and management, marketing and purchasing, free from the  
15 laws, rules and regulations which regulate government of Guam agencies and  
16 entities. Further, as a commercial entity, the slaughterhouse should earn  
17 income sufficient to meet its own operations cost, prudent reserves for repair  
18 and replacement, and construction and operating capital. Such a permanent  
19 privately-operated facility would be a valuable asset to the people of Guam,  
20 provide fresher, safer meat products, add a significant new facet to the  
21 island's agriculture industry, increase employment, and contribute  
22 significantly to the island economy by displacing imports.

23       **Section 2. The Guam Slaughterhouse Act.**

24               **"Section 101. Short Title.** This Section shall be known as the,  
25               'Guam Slaughterhouse Corporation Act.'

1           **Section 102. Name, Formation, Responsibilities and**  
2 **Abilities of the Corporation.** There is hereby authorized the  
3 establishment of a 'Guam Slaughterhouse Corporation' (hereinafter 'the  
4 Corporation') to accomplish the mandates of this Act. Subject to Guam  
5 laws, the Corporation shall have the abilities and responsibilities of a  
6 privately-owned commercial corporation and be subject to the same tax  
7 laws as privately-owned corporations, including the Guam Gross  
8 Receipts Tax. As a private commercial corporation, however, it shall be  
9 exempt from Government of Guam rules, regulations and other  
10 requirements, regarding hiring, personnel management, and  
11 Department of Agriculture.

12           The animal processing facility authorized herein shall comply  
13 with appropriate standards of the U.S. Department of Agriculture.

14           **Section 103. Local Government Assistance.** As an initial  
15 procedure, the Department of Agriculture, the Department of Land  
16 Management, the Guam Waterworks Authority, the Bureau of Planning,  
17 the College of Agriculture and Life Science of the University of Guam,  
18 and the Guam Environmental Protection Agency, shall constitute a  
19 Slaughterhouse Task Force which shall coordinate the implementation  
20 of the slaughterhouse as authorized by this Act, with the Department of  
21 Agriculture taking the lead agency.

22           The Task Force shall immediately embark on a search for a  
23 qualified private corporation to whom the operation of the  
24 slaughterhouse will be entrusted. It shall solicit bids for interested

1 private entities pursuant to the government of Guam Procurement Law,  
2 and pursuant to §107 of this Act.

3 The Task Force shall explore possible federal funding from grants  
4 that may be available for the implementation of the slaughterhouse. It  
5 shall also address and ensure that such infrastructure support as power,  
6 water and sewer are within acceptable standards and that all  
7 environmental requirements are met.

8 The Task Force's overall mission is to ensure that the  
9 slaughterhouse project is implemented on a timely basis and before the  
10 USDA approval expires in 1998.

11 **Section 104. Management of the Slaughterhouse Facility.**

12 The management, administration and operation of the Slaughterhouse  
13 shall be vested in a commercial corporation (hereinafter referred to as  
14 the 'Corporation'), which shall have the initial support of the  
15 Slaughterhouse Task Force, and specifically the Department of  
16 Agriculture.

17 **First Year Operation.** The Corporation shall operate the  
18 slaughterhouse under the corporate form of a business, using the  
19 resources of the Department of Agriculture, for a period of one (1) year  
20 following the completion of the construction of the slaughterhouse. The  
21 Director of the Department of Agriculture shall, during that period,  
22 serve as an advisor to Corporation and shall provide it with the  
23 Department's expertise and resources in the planning, organization and  
24 operation of the slaughterhouse.

1           **Section 105. Financial Support for the Slaughterhouse.** To  
2 facilitate the establishment and the success of the slaughterhouse  
3 operation, the government shall provide loan guarantees to the  
4 Corporation in the amount of One Million Five Hundred Thousand  
5 Dollars (\$1,500,000). The Corporation shall be eligible for government  
6 of Guam investment incentives and assistance, such as the Qualifying  
7 Certificate program.

8           **Section 106. Location. Authorization to Lease.** The site for  
9 the construction of the slaughterhouse is designated as Lot 7150-R4-  
10 NEW-1-1, Municipality of Yigo, as shown on Land Management  
11 Drawing No. CC-8925Y, Certificate of Title 76418, registered on March  
12 19, 1984, containing an area of 8,094 square meters (the 'Property'), and  
13 belonging to the government of Guam.

14           Lot No. 7150-R-4-NEW-1-1 is hereby transferred from the  
15 Chamorro Land Trust Commission to the Corporation for the purpose  
16 of implementing this Act.

17           Notwithstanding any other law, rule or regulation, the  
18 Corporation shall be granted a fifty (50) year lease on the property  
19 designated for the slaughterhouse as authorized herein, at a rent of One  
20 Dollar (\$1.00) per year; provided, that if the property is employed for  
21 purposes other than as a slaughterhouse or other auxiliary purpose as  
22 authorized by this Act, the property shall be reverted to the Chamorro  
23 Land Trust Commission immediately.

24           **Section 107. Qualifications.** The qualifications for any  
25 private operator of the Guam slaughterhouse shall be as follows:



1           (1) That Guam hog producers be given priority or  
2 preference in the bidding process to operate the slaughterhouse;

3           (2) That the operator be a citizen of the United States who  
4 shall have resided on Guam for at least one (1) year prior to bid, or  
5 a non-profit association comprised of residents of Guam formed  
6 for the purpose of operating an animal processing facility;

7           (3) That if the operator is a corporation, it be controlled by  
8 citizens of the United States with at least fifty-one percent (51%) of  
9 the voting stock owned by such citizens which shall have been  
10 residents of Guam for at least one (1) year prior to bid, and, in the  
11 event the percentage of ownership becomes less than fifty-one  
12 percent (51%) at any given time, the government of Guam shall  
13 immediately take over control of the operation and shall again  
14 solicit proposals for private operation;

15           (4) That the operator must make available the animal  
16 processing facility to all local residents and businesses wishing to  
17 use the same;

18           (5) That the same rates be charged to all users of the  
19 animal processing facility with no preferences as to rates and  
20 usage being given to any users;

21           (6) That the operator may not sublease or assign such  
22 operator's interest in the animal processing facility without the  
23 prior consent of the Guam Legislature by statute.

24           In the event that no private operator meeting the foregoing  
25 qualifications can be found, or the private operator discontinues

1 operations, then, in either case the animal processing facility shall  
2 continue to be operated by the Government of Guam.

3 **Section 108. Repeals.**

4 (1) Public Law Number 20-68, which appropriated the sum of  
5 \$250,000.00 for the construction of a slaughterhouse, is hereby repealed.

6 (2) Public Law Number 20-197, which designated land for and  
7 provided for the construction of a slaughterhouse, is hereby repealed  
8 and is substituted by this Act.”

24-96

24-96

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24<sup>th</sup> GUAM  
LEGISLATURE

COMMITTEE ON  
AGRICULTURE, LAND, HOUSING,  
COMMUNITY & HUMAN RESOURCES DEVELOPMENT

**SENATOR JOHN CAMACHO SALAS**  
**CHAIRMAN**

September 5, 1997

The Honorable Antonio R. Unpingco  
Speaker  
Twenty-Fourth Guam Legislature  
155 Hesler Street  
Agana, Guam 96910

Dear Mr. Speaker:

The Committee on Agricultural, Land, Housing, Community & Human Resources Development to which was referred Bill No. 46, has had the same under consideration and now wishes to report back the same with the recommendation **TO DO PASS.**

The Committee votes are as follows:

To Do Pass	6
Not To Pass	0
Abstain	0
Other (Off-Island)	0

A copy of the Committee's report and other pertinent documents are enclosed for your reference and information.

Sincerely,

Senator John Camacho Salas  
Chairman

Attachments



24th GUAM LEGISLATURE

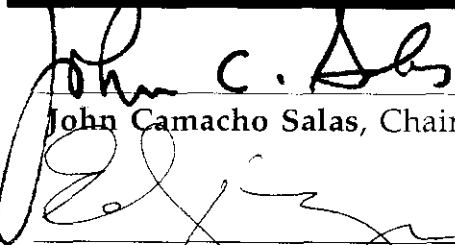
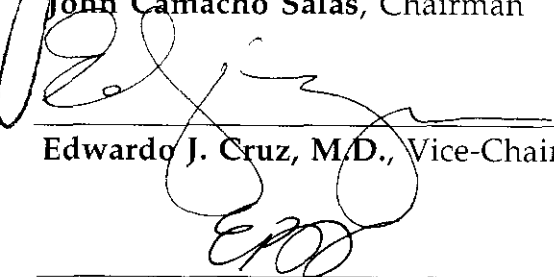

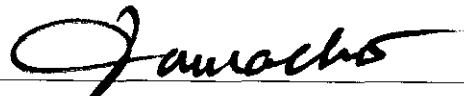
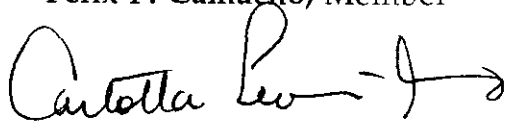
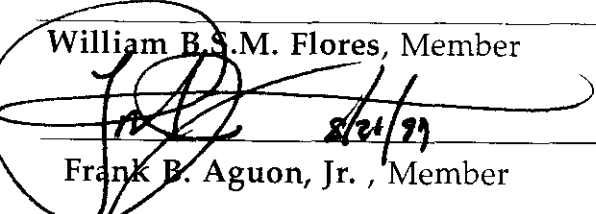
# SENATOR JOHN CAMACHO SALAS CHAIRMAN

## COMMITTEE ON AGRICULTURE, LAND, HOUSING, COMMUNITY AND HUMAN RESOURCES DEVELOPMENT

### VOTING SHEET

Bill Number **46**

Title An act authorizing the construction and operation of a public animal processing facility (slaughterhouse) by a corporation.

	TO DO PASS	NOT TO PASS	ABSTAIN	INACTIVE FILE
 John Camacho Salas, Chairman	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
 Edwardo J. Cruz, M.D., Vice-Chairman	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
 Elizabeth Barrett-Anderson, Member	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Larry F. Kasperbauer, Member	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
 Felix P. Camacho, Member	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
 Carlotta M. Leon Guerrero, Member	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Thomas C. Ada, Member	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
William B.S.M. Flores, Member	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
 Frank B. Aguon, Jr., Member	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

**FISCAL NOTE**  
**BUREAU OF BUDGET AND MANAGEMENT RESEARCH**

Bill No. 46 Date Received - March 26, 1997  
 Amendatory Bill: YES \_\_\_\_\_ NO X Date Reviewed - April 4, 1997  
 Department/Agency Affected: Department of Agriculture  
 Department/Agency Head: M. Kuhlmann, Director  
 Total FY appropriation to Date: \$3,353,457 (FY 1997 General Fund)  
 Bill Title (preamble): AN ACT AUTHORIZING THE CONSTRUCTION AND OPERATION OF A PUBLIC ANIMAL PROCESSING FACILITY (SLAUGHTERHOUSE) BY A CORPORATION.  
 Change in Law: N/A

**Bill's Impact on Present Program Funding:**

Increase \_\_\_\_\_ Decrease \_\_\_\_\_ Reallocation \_\_\_\_\_ No Change X  
 Bill is for: Operations X Capital Improvement \_\_\_\_\_ Other (Construction) \_\_\_\_\_

**FINANCIAL/PROGRAM IMPACT**  
**ESTIMATED SINGLE-YEAR FUND REQUIREMENTS (Per Bill)**

PROGRAM CATEGORY	GENERAL FUND	OTHER	TOTAL
<u>Nat. Resources/Recreation/Arts</u>	<u>See Comments</u>	_____	_____

**ESTIMATED MULTI-YEAR FUND REQUIREMENTS (Per Bill)**

FUND	1st	2nd	3rd	4th	5th	TOTAL
GEN. FUND	See	_____	_____	_____	_____	_____
OTHER(TAF)	Comments	_____	_____	_____	_____	_____
TOTAL	_____	_____	_____	_____	_____	_____

Funds Adequate To Cover Intent Of Bill? YES/NO - If No, Add'l Amount Required: See Comments  
 Agency/Person/Date Contacted: Agriculture/ T. Santos, ASO/ April 4, 1996

**ESTIMATED POTENTIAL MULTI-YEAR REVENUES**

FUND	1st	2nd	3rd	4th	5th	TOTAL
GEN. FUND	See	_____	_____	_____	_____	_____
OTHER	Comments	_____	_____	_____	_____	_____
TOTAL	_____	_____	_____	_____	_____	_____

ANALYST: Rajiv Sood *RS* DATE: 4/4/97 DIRECTOR: Trancess J. Balajad *TJB* DATE: APR 11 1997

**FOOTNOTE:** Arguably, the Bill may not pose a fiscal impact in its present form. This is due to the Bill's structure in that it is administrative in nature and provides nothing more than background and legislative findings. However, based strictly on the language contained in the Bill and despite the fact that it does not make an appropriation, a significant fiscal impact may be realized. This is due to the Bill's mandate to establish and operate a corporation using resources provided by the Dept. of Agriculture. Additionally, compensating the Board of Directors would also involve funding as would mandating corporate-type activities even if they are for a one year period (possibly longer) that the government would own/operate the facility. Providing the loan guaranty may also have a significant impact. However, this overall impact cannot be quantified at this time without information on revenues and expenses related to operating the facility including the payment of Gross Receipts Taxes, training, and any other organizational and operational assistance.



COMMITTEE ON  
AGRICULTURE, LAND HOUSING,  
COMMUNITY & HUMAN RESOURCES DEVELOPMENT

SENATOR JOHN CAMACHO SALAS  
CHAIRMAN

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## PUBLIC HEARING

Legislative Public Hearing Room  
Monday, March 31, 1997  
9:00 A.M. - 12:30 P.M.

## AGENDA

9:00 A.M. - 10:30 A.M.

Bill 46

An act authorizing the construction and operation of a public animal processing facility (slaughterhouse) by a corporation.

Confirmation Hearing

Governor's appointment of Ms. Lorraine S. Okada to the Guam Housing Corporation Board of Directors for a 6 year term expiring March 12, 2003.

10:30 A.M. - 12:30 P.M.

Guam Housing Corporation (GHC)

An oversight hearing for the Guam Housing Corporation.

Guam Housing & Urban Renewal Authority (GHURA)

An oversight hearing for the Guam Housing and Urban Renewal Authority.



# SENATOR JOHN CAMILLO SALAS CHAIRMAN

## COMMITTEE ON AGRICULTURE, LAND, HOUSING, COMMUNITY AND HUMAN RESOURCES DEVELOPMENT

### TESTIMONY SIGN IN SHEET

Legislative Public Hearing Room

Bill Number **46**

**Subject** An act authorizing the construction and operation of a public animal processing facility (slaughterhouse) by a corporation.

NAME	ORGANIZATION	PHONE NUMBER	TESTIMONY	METHOD
MIKE KUMMANN 734-3942	Dept of Agriculture		<input checked="" type="checkbox"/> FOR	<input checked="" type="checkbox"/> WRITTEN <input type="checkbox"/> AGAINST <input checked="" type="checkbox"/> ORAL
Rick Cruz 637-4410	Hog Producers of Guam		<input checked="" type="checkbox"/> FOR	<input type="checkbox"/> WRITTEN <input type="checkbox"/> AGAINST <input checked="" type="checkbox"/> ORAL
Paul S. Johnson 477-2292	Regulatory Assoc. of Guam PO Box 47 Agaña		<input checked="" type="checkbox"/> FOR	<input checked="" type="checkbox"/> WRITTEN <input type="checkbox"/> AGAINST <input checked="" type="checkbox"/> ORAL
ROBERT S. LIZAMA 653-7190	MAYOR OF Y190		<input type="checkbox"/> FOR	<input type="checkbox"/> WRITTEN <input type="checkbox"/> AGAINST <input checked="" type="checkbox"/> ORAL
Nita Blas	Mayor of Mangilao		<input type="checkbox"/> FOR	<input type="checkbox"/> WRITTEN <input type="checkbox"/> AGAINST <input type="checkbox"/> ORAL
Mispin Quitugua for David & Josefa Quitugua 653-9557	P.O. Box 694 Agaña, Gu 76910		<input checked="" type="checkbox"/> FOR	<input checked="" type="checkbox"/> WRITTEN <input type="checkbox"/> AGAINST <input type="checkbox"/> ORAL
			<input type="checkbox"/> FOR	<input type="checkbox"/> WRITTEN <input type="checkbox"/> AGAINST <input type="checkbox"/> ORAL
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24<sup>th</sup> GUAM  
LEGISLATURE

COMMITTEE ON  
AGRICULTURE, LAND, HOUSING,  
COMMUNITY & HUMAN RESOURCES DEVELOPMENT

**SENATOR JOHN CAMACHO SALAS**  
**CHAIRMAN**

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## **PUBLIC HEARING SUMMARY**

Legislative Public Hearing Room  
Monday, March 31, 1997  
9:00 A.M. - 12:30 P.M.

### **BILL 46** **CONFIRMATION HEARING** **GHC - OVERSIGHT** **GHURA - OVERSIGHT**

Committee members present:

Senator John Camacho Salas - Chairman  
Senator Edwardo J. Cruz, M.D. - Vice-Chairman  
Speaker Antonio R. Unpingco - Ex-Oficio  
Senator Thomas C. Ada - Members  
Senator Lawrence Kasperbauer

Committee Non-members present:

Senator Frank B. Aguon Jr.  
Senator Lou Leon Guerrero  
Senator Vicente C. Pangelinan

(7)



**BILL 46**

**AN ACT AUTHORIZING THE CONSTRUCTION AND OPERATION OF A PUBLIC ANIMAL PROCESSING FACILITY (SLAUGHTERHOUSE) BY A CORPORATION.**

**MICHAEL W. KUHLMANN (MWK)**, Director of Agriculture, Thanked the members for the Guam Slaughterhouse Corporation Act. MWK explained Bill no. 46. This bill required Department Of Agriculture, to build the facility and operate it for one year, then turn over all rights to the private sector and not be stuck in another business.

This project has potential success, but only if organized properly and managed efficiently. As matters now stand, this slaughterhouse would have no chance of success.

Three steps have been taken as parts of a comprehensive plan to provide the support and environment necessary for success of the slaughterhouse.

Bill 46 proposes a corporation, with the shares initially owned by the government, and with a board of directors of experienced business people with the expertise not available in government, to build, organize and operate this facility.

Bill 46 would have the company obtain construction and start-up financing in the marketplace, as any other company, on the best terms the directors can arrange.

Bill 46 will return to Department of Agriculture, the two-acres in Yigo designated by P.L. 29-197 for this facility that was later inadvertently transferred to the Chamorro Land Trust.

MWK, stated a correction in removing an existing requirement that the Agriculture Board of Commissioners set prices and fees. In practice, market realities would determine pricing.

Bill 46 would allow this plant to be organized and operated in such a manner that it could be a functioning commercial entity to turn over to a long-term operator, and it provides a mechanism for an efficient transfer.

For additional information, please see attached four pages of written testimony.

**RICK CRUZ (RC)**, President, Hog Producers of Guam. I am here in behalf of the Hog Producers to testify in support of bill 46.

RC added the Hog Producers are on a halt at the moment awaiting the status of this bill. RC also pointed out in Mr. Kuhlmann's written testimony, item #2 that the Hog Producers on Guam have the potential to impact the economy in the pork industry.

They also look forward to expanding the productivity and discussing issues regarding marketing outside of Guam.

**PAUL S. TOBIASON**, Member of the Recycling Association of Guam. Is in favor of bill 46. Farmers may expand their facilities and the idea of privatizing is good and the less government involvement the better.

**ROBERT S. LIZAMA**, Yigo Mayor. Would like to address issues of concern. In the early 1900's a public hearing was held in Yigo regarding the slaughterhouse and the one question brought up was "how is this going to affect the water situation?" If this is going to be built right outside the front gate of Andersen AFB, less than 500 feet we have the new 400 land for the landless homes. Mayor Lizama is in favor providing the water pressure to the surrounding area is addressed before hand. If we want this to work, proper planning for the success and assuring it does not affect the people of Yigo.

**NITO BLAS**, Mangilao Mayor and a member of the Hogs Association. If bill no. 46 was to be passed, he would bring his hogs to the slaughterhouse to be butchered. He is in favor for the bill especially because it is in Yigo. Mayor Blas is very much in favor of identifying a place to have hogs slaughtered. His main concern is the safety. He supports of the bill.

**SENATOR SALAS**, wanted to know the size of the industry. What is the pork consumption on the island?

**MICHAEL W. KUHLMANN**, Consumption of imported pork is 40,000,000 pounds, which part of it is processed meat. This is not intended to be a holding, fattening or feeding facility. This will impact the waste or water usage. The hogs will come in and out within a day.

**SENATOR SALAS**, asked Mr. Cruz what is the hog production capability at the current time?

**RICK CRUZ**, average production is 3500 in a month. This is from Dept. of Agriculture statistics.

**M. W. KUHLMANN**, based on a survey done to the Hog Association and other farmers with hogs, we found out there are enough animals and we won't fall short.

**SENATOR CARLOTTA LEON GUERRERO**, stated she couldn't imagine we have gotten this far without a sound plan. Is there a plan to take care of sewage removal and water problem?

**M .W. KUHLMANN**, PUAG claims that by the time you have it, we'll be ready. How they plan to do that with what pump and what well is pretty much up to utility to do.

**SENATOR C. LEON GUERRERO**, asked Mr. Kuhlmann if he puts up the slaughterhouse then the infrastructure will work around it?

**MR. KUHLMANN**, I wouldn't base myself on just a hope but, we would need to coordinate with all the utility agency, power and all that is needed. The water won't be tapped into the residential water lines.

**SENATOR EDUARDO CRUZ**, Vice-chair of this committee, commented that we have never had a legal slaughterhouse on the island before. His main concern is the safety and health hazards.

**SENATOR SALAS**, asked if it was the slaughterhouse killing it's own animals.

**MR. KUHLMANN**, it was only the services of the facility. A USDA inspector will be there forty hours a week.

**SENATOR E. CRUZ**, was concerned about the fees, high prices will discourage the community. The intend of this legislation should support the slaughterhouse. This is a way to guarantee the people of Guam to control the consumption of hogs. Senator Cruz doesn't want the old tradition to stop where as people can't slaughter their own hogs. He doesn't want it where it will be illegal and people will be fined, if they are caught killing your hogs. In support of the bill if intended for healthier consumption. Why was the village of Yigo picked to put the slaughterhouse on? There could be other places on island the government could put this on.

**Mr. KUHLMANN**, this is next to one of the biggest pig farm on island.

**SENATOR E. CRUZ**, was concerned as to why the Department of Agriculture has to start the slaughterhouse and not the Hogs Producers Association. It appears that the Hog Association is not qualified to do anything. The Hogs Producers Association is no financially stable and neither is the Government of Guam.

**SENATOR TOM ADA**, can't accept the concept of the first year being opened and operated by the government then privatize. He asked Mayor Lizama of Yigo about the water situation. He feels the problem in the area is a distribution problem and the two are entirely different. The slaughterhouse will have no effect. If the area is not hooked up to the sewer then, it should be added to the bill. We might get some liberal environmentalist at EPA saying it is not going to hurt the aquifer, but not when we have our aquifer underneath. I don't want to leave that to chance. If it doesn't get hooked up to the sewer line, it shouldn't go. In the principal I support the concept of the slaughterhouse.

**SENATOR LOU LEON GUERRERO**, suggest it should not be in effect until the water system is upgraded, all the environmental concerns are addressed (sewage, recycling of the water and so forth). Sen. Lou Leon Guerrero also suggested giving the slaughterhouse straight over to the hog producers. There is a provision stating, if they are going through the bidding process of transferring from government to private company, that the hog producers would be the primary bidders among the other candidates. LLG is looking for the capabilities to assist the hog producers financially means for them to take it over from the very beginning. LLG asked Mr. Rick Cruz to discuss it with them at a later date. The provision stated that the slaughterhouse would be given a QC- Qualifying Certificate. The initial capital that is needed to make this go, may be the problem with the association. If something comes up, you might discuss with your hog producers to have this go forward at the initial inception of the project. Couldn't the hog association receive federal funding from off-island. LLG reminded Mr. Kuhlmann, that he know of ways to obtain financial assistance and so forth, this might be a good option.

**SENATOR VICENTE PANGELINAN**, felt it has been a long battle and the initial funding, a \$200,000.00 appropriation. The twenty-second legislature added another \$600,000.00 through a bill he sponsored. The total appropriation for the construction of the slaughterhouse is \$800,000.00. Senator Pangelinan discussed with Mr. David Quitugua to get the slaughterhouse going. The government didn't move fast enough. Yap opened a slaughterhouse which was USDA approved and was shut down because there was no market. Senator Pangelinan has been trying to barter it under the compact impact. The slaughterhouse is available for us in terms of maximizing the amount of money we have and minimizing the capital expenditures. Now I see we need to develop the facility in order to develop the market. Sen. Pangelinan fully supports the concept and will do what he can to push the bill.

**SENATOR JOHN SALAS**, advised the panel that a notice of the hearing was given to Mr. David Quitugua. Mr. Quitugua didn't have a representative present.

**SENATOR FRANK AGUON JR.**, he feels we should keep the government hands out of it but let the government lend support such as the identification of the property, financial and other benefits to this entity. His concern was if the one year period is adequate enough where the Department of Agriculture based on the provisions. Will the government be able to operate it effectively and transfer it to a private entity. Senator Aguon asked Mr. Kuhlmann regarding the feasibility study and what the overall cost of the facility.

**MR. KUIHLMANN**, replied that this law was passed and that the Department of Agriculture was selected to start it and the feasibility wasn't taken into account first. If a feasibility study was done it was in the 70's.

**SENATOR FRANK AGUON JR.**, knew in any industry or facility you would outline a plan and if it's economically feasible. Senator Aguon would like a time period to allow the Department of Agriculture to conduct this study.

**SENATOR MARK CHARFAUROS**, was angry at the fact the bill was given a proposal that has been short. He suggested to get with Mr. James Sablan to help put a proposal together before this body. There is no detail plan and no feasibility study. Senator Charfauros asked why there was no representative from the other government agencies. He stressed if Mr. Kuhlmann wants this legislature to act on this proposal then next time come prepared in front of this legislature and be able to answer any questions.

**SENATOR LARRY KASPERBAUER**, spoke of the ground breaking ceremony of the slaughterhouse several years ago. Senator Kasperbauer noted that the land proposed to be used for the slaughterhouse is still in the land trust inventory. Senator Kasperbauer believes in the concept and feels a slaughterhouse is needed. LK hinted at having two one in the north and one for the south.

**MR. KUHLMANN**, says the slaughterhouse's building is only 60'x60' in size. The refrigerator and breaker room is about the minimum size. It has much chance for commercial liabilities.

**SENATOR LARRY KASPERBAUER**, suggest it's a good place to start at least and get it going at a smaller scale and then to move more towards commercial. He has not seen the figures as to how many pigs they plan to slaughter, if it's everyday and how many per day. He would need to make sure the pigs were coming along. If any hog producer got that large he would probable find it easier to have his own slaughterhouse, then to be going this road.

**SENATOR J. SALAS**, said this is what you would see in an overall plan if it were presented to us.

**SENATOR L. KASPERBAUER**, feels the need to see the whole plan laid out again and one of the problem is there are new people here.

**SENATOR J. SALAS**, The organization on the bill proposes that the Director of Agriculture be automatically the chairman of the board of directors. The fact that position is highly a bureacratic position. If this is going to be a private enterprise why can't the consumer themselves start this from scratch? With the Department of Agriculture serving as a resource. If anybody is going to take the key roll, you would want the mayor of the municipality rather than the Director of Agriculture. Mainly because it is in his village and his resource will be important to the issue. The final point, we are talking about business but yet we talk about the cost of land being at a dollar a year. We are giving it away for peanuts. There should be some scheme here that one the slaughterhouse begins to pick up production, it begins to repay the debt service for the land. This is an abuse of the government process its

giving away to a quosay government operation as opposed to a full private enterprise. Mr. Kuhlmann, the hog producers and myself need to sit down and look at this bill with respect to the questions being asked by the senators and to try and make the bill better then today. We won't be able to push it for the next session. We need the municipal counsel's, mayor's, the recycling association comments with in ten days.

**RICK CRUZ,** says it can be done if the director does his homework.

**MAYOR R. LIZAMA,** is requesting for a on sight public hearing.



# Department of Agriculture Dipattamenton Agrikottura

192 Dairy Road, Mangilao, Guam 96923

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Forestry & Soil Resources 735-3949/50; Fax 734-0111  
Plant Nursery 734-3949  
Plant Protection & Quarantine 472-1651; 477-7822



Carl T. C. Gutierrez  
Governor

Madeleine Z. Bordallo  
Lt. Governor

Michael W. Kuhlmann  
Director

Joseph G. Sablan  
Deputy Director

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TESTIMONY OF  
DIRECTOR OF AGRICULTURE MICHAEL W. KUHLMANN  
BEFORE THE  
COMMITTEE ON AGRICULTURE, LAND, HOUSING, COMMUNITY  
AND HUMAN RESOURCES DEVELOPMENT  
24TH GUAM LEGISLATURE  
MARCH 31, 1997

ON BILL NO. 46

MR, CHAIRMAN, thank you for this opportunity to explain Bill No. 46. The Guam Slaughterhouse Corporation Act, legislation for construction and operation of an agriculture animal slaughterhouse.

This has been a project planned for many years. Public Laws 20-69 and 20-197 require the Department of Agriculture to build a facility and operate it for one year, when it would be turned over to a long-term, non-government operator. Bill 46 is a nuts and bolts proposal of how to do this.

This project has potential for commercial success, but only if organized properly and managed efficiently. It is a major project of the Administration project, was addressed early and has been pursued persistently and deliberately.

1. U.S. Department of Agriculture of previous building plans expired in 1995. Updated plans were prepared, received three-year approval in February 1996 and were referred to the Department of Public Works, which is preparing blueprints.

2. First-ever surveys of hog producers in 1996 and 1997 determined there would be sufficient animals to support the facility.

3. The Pacific Business Center of the University of Hawaii-Manoa is conducting a study of day-to-day operational requirements at Hawaii slaughterhouses, using a federal grant.

4. Final details are being worked out to "privatize"



Agriculture's hog breeding facility in Dededo by leasing it to the Hog Producers Association. This would cut government costs, turn over hog breeding to those in the business and help ensure a sufficient number of animals for the slaughterhouse. This lease should be forwarded to the Legislature soon.

These steps have been taken as parts of a comprehensive plan to provide the support and environment necessary for success of the slaughterhouse.

They could be for nothing, however. As matters now stand, this slaughterhouse would have no chance of success. It would be required to operate in a very competitive free market environment as a government entity burdened with a fatal load of government rules, regulations, limitations and requirements.

As a government operation, workers would be government employees, subject to all civil service regulations. Replacing the delivery driver could take months. The petty cash maximum is twenty-five dollars. Replacing an electric motor could take months, as could repairing the delivery truck or replacing a slaughtering tool or unit. The facility would shut down on all GovGuam holidays. All income would go to the Treasurer and the operational budget could be adjusted only annually through the Legislature. A commercial entity could not survive under such conditions.

Bill 46 would change this.

By law, this operation is to be commercial business in a year, so it should be set up as such at the start, not as a government activity. It is the intent of public law, and the Administration, that the government not stay in this commercial business. As the government is to get out of this business in a year, it should be organized with an exit. GovGuam does not need to be in any more businesses.

Bill 46 proposes a corporation, with the shares initially owned by the government, and with a board of directors of experienced business people with the necessary expertise not available in government, to build, organize and initially operate this facility in a business-like manner.

To retain responsibility, the Director of Agriculture would chair the board of directors. The Department of Agriculture also could provide support, but not funding.

At the end of the one year of government operation required by law, it can easily be wholly transferred to the long-term private operator - shares, assets (except land), debts and other obligations, receivables, employees, the keys to the front door.

Workers would be company employees, subject to Social Security and other private sector conditions, and would stay with the



facility when it is transferred.

As a commercial operation, it should pay its own way. Public law appropriates some funds for this project, but the fiscal reality is that the money is not available. Bill 46 would have the company obtain construction and start-up financing in the marketplace, as any other company, on the best terms the directors can arrange.

Inasmuch as the site designated by law is government land and cannot be used for collateral, the initial owner would not have equity investment and there is no experience history. To facilitate market financing Bill 46 includes a government loan guarantee.

Bill 46 also corrects a location problem, returning to Agriculture the two-acre Yigo site designated by P.L. 29-197 for this facility which was later inadvertently transferred to the Chamorro Land Trust.

Another incidental change is removal of the P.L. 20-197 requirement that the slaughterhouse operator provide below-cost feed to hog producers. This might have been more appropriate when public funding was to be used, but with full borrowing this operation will be challenged enough to carry its own costs, let alone those of other businesses. The Hog Producers Association has agreed to this change and Agriculture already is working with hog farmers to obtain better grain quality and prices.

A third correction is removing an existing requirement that the Agricultural Board of Commissioners set prices and fees. That is impractical. The meat business is highly competitive and fairly volatile. This business must be able to respond to market conditions as they occur. Economic decisions by a board which meets monthly and subject to the Administrative Adjudication Act would not meet business needs.

In practice, market realities would determine pricing. If they are not attractive on the intake end, hog farmers will not provide animals. If they are not attractive on the marketing end, buyers won't buy.

This slaughterhouse must produce product at competitive market prices and it must be commercially efficient to do so and survive. I am not an expert on abattoirs or pigs, but I do have considerable business management experience, and the longer I am with GovGuam the more certainly I can assure you this project would fail under present conditions.

Bill 46 would allow this plant to be organized and operated in such a manner that it could be a functioning commercial entity to turn over to a long-term operator, and it provides a mechanism for an efficient transfer.

It still would not be a slam-dunk situation. Much business talent, careful planning, economical construction and operational efficiency would be necessary for success. As provided for in Bill 46, however, this project would have a good chance of commercial success. As a government operation, as it now would be, it would not have any chance at all.

MR. CHAIRMAN. let me anticipate a question which arose before, possible alienation of GovGuam land through a corporate organization. The regrettable case of the municipal golf course is an example. That could not happen in the case of the slaughterhouse because the shares would be government property and could not be transferred without Legislature approval. The eventual transfer of the facility to a long-term non-government operator also would require Legislature approval, right down to the specific conditions.

Relatedly, there does remain an unresolved question which could require a technical amendment to this bill. Recently, the question arose about whether there is sufficient provision for compliance with Guam incorporation requirements. Depending on recommendations of the Attorney General, it might be necessary to make adjustments in the final version. That would not affect the substance of Bill 46.

This project has been on hold literally for decades, waiting for a practicable plan. Groundbreakings have been held, but little more. Bill 46 provides this means and has been endorsed by the Agricultural Board of Commissioners and the Hog Producers Association. It is an innovative plan, not previously used, which can demonstrate how government can establish a commercial-type operation and then turn it over to the private sector and not be stuck in another business.

Timely enactment would allow this allow this much discussed and long-delayed project to progress. Only 22 months remains on the current USDA plan approval.

Thank you, Mr. Chairman.

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P.L. NO. 20-67

- a) to install a traffic signal light at the intersection of route 8 and Toto-Canada Loop.
- b) to widen and pave the existing bull cart trail to the south of the intersection of Route 8 and Toto-Canada Loop.

Section 2... Any funds unexpended upon the completion of the above listed projects shall revert to the General Fund.

BE IT ENACTED BY THE PEOPLE OF THE TERRITORY OF GUAM:

Section 1. Two Hundred Eighty-Five Thousand Dollars (\$285,000) are appropriated from the General Fund to the Department of Public Works to be expended in the following manner:

(a) Two Hundred Fifty Thousand Dollars (\$250,000) to install a traffic signal light at the intersection of Route 8 and Toto-Canada Loop, including necessary road widening and marking;

(b) Thirty-Five Thousand Dollars (\$35,000) to widen and pave the existing bull cart trail to the south of the intersection described in paragraph (a).

Section 2. Any funds unexpended upon the completion of the above listed projects shall revert to the General Fund.

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PUBLIC LAW NO. 20-68

Bill No. 587 (LS)	Introduced by:	H.D. Dierking
Date Became Law: Sep. 14, 1989	C.T.C. Gutierrez	J.T. San Agustin
Governor's Action: Approved	M.D.A. Manibusan	J.G. Bamba
	J.P. Aguon	E.P. Arriola
	M.Z. Bordallo	D.F. Brooks
	E.R. Duenas	E.M. Espaldon
	P.C. Lujan	G. Mailloux
	T.S. Nelson	D. Parkinson
	F.J.A. Quitugua	E.D. Reyes
	M.C. Ruth	F.R. Santos
	T.V.C. Tanaka	A.R. Unpingco

AN ACT TO APPROPRIATE THE SUM OF TWO HUNDRED FIFTY THOUSAND DOLLARS (\$250,000) TO THE DEPARTMENT OF AGRICULTURE FOR CONSTRUCTION OF A SLAUGHTERHOUSE.

P.L. NO. 20-68

- Section 1... Appropriations to Department of Agriculture to construct a slaughterhouse.
- Section 2... The Governor shall designate a site for the slaughterhouse after effective date of this Act.
- Section 3... Under the provision of this Act the slaughterhouse shall be operated by the government of Guam for not more than one (1) year and shall thereafter privately operated.

BE IT ENACTED BY THE PEOPLE OF THE TERRITORY OF GUAM:

Section 1. Two Hundred Fifty Thousand Dollars (\$250,000) are appropriated from the General Fund to the Department of Agriculture to construct a slaughterhouse.

Section 2. Not later than ninety (90) days after effective date of this Act, the Governor shall designate a site for the slaughterhouse.

Section 3. The slaughterhouse constructed under the provisions of this Act shall be operated by the government of Guam for not more than one (1) year and shall thereafter be privately operated.

PUBLIC LAW NO. 20-69

Bill No. 680 (COR)	Introduced by:	G. Mailloux
Date Became Law: Sep. 14, 1989	T.S. Nelson	M.D.A. Manibusan
Governor's Action: Approved	J.P. Aguon	E.P. Arriola
	J.G. Bamba	M.Z. Bordallo
	D.F. Brooks	H.D. Dierking
	E.R. Duenas	E.M. Espaldon
	C.T.C. Gutierrez	P.C. Lujan
	D. Parkinson	F.J.A. Quitugua
	E.D. Reyes	M.C. Ruth
	J.T. San Agustin	F.R. Santos
	T.V.C. Tanaka	A.R. Unpingco

AN ACT TO AMEND §§13651 AND 13652 OF THE GOVERNMENT CODE ON LAND EXCHANGES IN THE PENITENTIARY AREA.

- Section 1... Amended GC Section 13651.
- Section 2... Amended GC Section 13652.

BE IT ENACTED BY THE PEOPLE OF THE TERRITORY OF GUAM:

Section 3. Any balance in the Veterans Bonus Fund existing on the effective date of this Act is appropriated to the University in lieu of the tuition and fee increases proposed by the Board of Regents for the academic year 1990-1991.

PUBLIC LAW NO. 20-197

Bill No. 1270 (LS)	Introduced by:	T.S. Nelson
Date Became Law: Aug. 17, 1990	E.D. Reyes	M.C. Ruth
Governor's Action: Approved	J.T. San Agustin	M.Z. Bordallo
	J.P. Aguon	E.P. Arriola
	H.D. Dierking	C.T.C. Gutierrez
	P.C. Lujan	G. Mailloux
	D. Parkinson	F.J.A. Quitugua
	F.R. Santos	J.G. Bamba
	D.F. Brooks	E.R. Duenas
	E.M. Espaldon	M.D.A. Manibusan
	T.V.C. Tanaka	A.R. Unpingco

AN ACT TO DESIGNATE AND REZONE GOVERNMENT LAND DESCRIBED AS LOT NO. 7150-R4-NEW-1-1, YIGO, GUAM, AS THE SITE FOR A PUBLIC ANIMAL PROCESSING FACILITY.

- Section 1 ... Legislative finds that an animal processing facility open to the public must be built.
- Section 2 ... Designating of site situated in the municipality of Yigo.
- Section 3 ... Implementation of Animal Processing Facility.
- Section 4 ... Privatization. Animal processing facility shall be operated by Dept. of Agriculture for one year and which will be publicly solicited for private operation.

BE IT ENACTED BY THE PEOPLE OF THE TERRITORY OF GUAM:

Section 1. Legislative Findings. The Legislature finds that in order to undertake necessary expansion of animal husbandry on Guam, an animal processing facility open to the public must be built.

Section 2. Designation of site. Lot 7150-R4-NEW-1-1, Municipality of Yigo, as shown on Land Management Drawing No. CC-8925Y, Certificate of Title 76418, registered on March 19, 1984, containing an area of 8,094 square meters (the "Property"), and belonging to the

S. Nelson  
P. Aguon  
E. Bamba  
R. Duenas  
Parkinson  
P. Arriola  
E. Brooks  
L. Lujan  
D. Reyes  
S. Santos  
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government of Guam, is hereby designated as the site for a public animal processing facility. The Property is hereby rezoned "Heavy Industry, M-2".

Section 3. Implementation of project. The Department of Agriculture, the Department of Land Management, the Public Utility Agency of Guam, the Bureau of Planning, the College of Agriculture and Life Science of the University of Guam, and the Guam Environmental Protection Agency, shall coordinate the implementation of the animal processing facility authorized by this Act, with the Department of Agriculture to be the lead agency. The animal processing facility authorized herein shall comply with appropriate standards of the U.S. Department of Agriculture.

Section 4. Privatization. The animal processing facility shall be operated by the Department of Agriculture for a period of one (1) year following completion of its construction, during which period proposals will be publicly solicited for private operation of the animal processing facility thereafter. The qualifications for any private operator thereof shall be as follow: That Guam hog producers be given priority or preference in the bidding process; that the operator be a citizen of the United States who shall have resided on Guam for at least one (1) year prior to bid, or a non-profit association comprised of residents of Guam formed for the purpose of operating an animal processing facility, or the Guam Hog Producers Association, or if a partnership, be composed of citizens of the United States similarly residents of Guam for one (1) year, or if a corporation, be controlled by citizens of the United States with at least fifty-one percent (51%) of the voting stock owned by such citizens which citizens shall have been residents of Guam for at least one (1) year prior to bid, which corporation shall maintain at least fifty-one percent (51%) U.S. citizen ownership during its operation of the facility, and in the event the percentage of ownership becomes less than fifty-one percent (51%) the Department of Agriculture shall immediately take over control and again solicit proposals for private operation; that such operator must make available the animal processing facility to all local residents and businesses wishing to use the same; that the same rates be charged to all users of the animal processing facility with no preferences as to rates and usage being given to any users; that such rates be approved by the Agricultural Board of Commissioners before going into effect; and that such operator may not sublease or assign such operator's interest in the animal processing facility without the prior consent of the Legislature by statute. During the time that the animal processing facility is operated by the Department of Agriculture, the net revenues derived therefrom shall be used to fund the subsidized, below cost, sale of feed to bona fide Guam resident hog producers. When the animal processing facility is privately operated, a condition of such operation shall be that such

P.L. NO. 20-197

operator continue to utilize an agreed percentage of the net revenues to fund such below cost sale of feed to hog producers. In the event that no private operator meeting the foregoing qualifications can be found, or the private operator discontinues operations, then, in either case the animal processing facility shall continue to be operated by the Department of Agriculture. The Agricultural Board of Commissioners shall develop and promulgate in accordance with the Administrative Adjudication Law, rules and regulations to effectuate the subsidy for the sale of feed as authorized by this Act.

PUBLIC LAW NO. 20-198

Bill No. 1308 (LS)	Introduced by:	H.D. Dierking
Date Became Law: Aug. 17, 1990	C.T.C. Gutierrez	F.J.A. Quitugua
Governor's Action: Approved	T.S. Nelson	M.D.A. Manibusan
	J.P. Aguon	E.P. Arriola
	M.Z. Bordallo	P.C. Lujan
	G. Mailloux	D. Parkinson
	E.D. Reyes	J.T. San Agustin
	F.R. Santos	J.G. Bamba
	D.F. Brooks	E.R. Duenas
	E.M. Espaldon	M.C. Ruth
	T.V.C. Tanaka	A.R. Unpingco

AN ACT APPROPRIATING ONE MILLION THREE HUNDRED EIGHTY THOUSAND DOLLARS (\$1,380,000) FROM THE GENERAL FUND, EFFECTIVE OCTOBER 1, 1990, TO THE DEPARTMENT OF PUBLIC WORKS TO ACQUIRE A RIGHT OF WAY ADJACENT TO HARMON LOOP ROAD IN DEDEDO.

- Section 1 ... Appropriation to DPW to acquire a right of way adjacent to Harmon Loop Road in Dededo.
- Section 2 ... The acquisition authorized in Section 1 of this Act is subject to the condition that the purchase price of land does not exceed the fair market value.
- Section 3 ... The Attorney General is directed to review the transaction to assure that they are legal and binding.

# Chamorro Land Trust Commission

Carol A. Ibanez, Chairperson  
Rita C. Okada, Commissioner  
John Q. Finona, Commissioner  
Joseph T. Gumataotao, Commissioner  
Tomas T. Aguon, Commissioner

Joseph M. Borja  
Administrative Director

Lydia T. Cruz  
Deputy Administrative Director

31 March 1997

TO: Senator John Camacho Salas  
Chairman  
Committee on Agriculture, Land, Housing, Community, Planning  
& Human Resources Development

FR: Joseph M. Borja  
Administrative Director

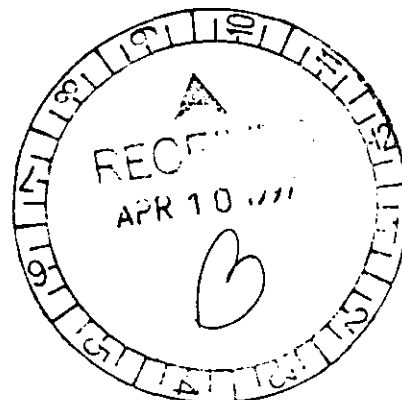
RE: Commission testimony on Bill 46

Relative to Section 1 (I) Transfer of lot.

Lot 7150-R4-New-1-1, Yigo was erroneously transferred into the Chamorro Land Trust Available Lands Inventory. The lot area in the Inventory is also erroneously listed as 13.00 acres. The correct lot area for Lot 7150-R4-New-1-1, Yigo is 8,094 square meters (or 2 acres).

This lot should not be in the Available Lands Inventory in the first place.

  
Joseph M. Borja  
Administrative Director







COMMITTEE ON  
AGRICULTURE, LAND, HOUSING,  
COMMUNITY & HUMAN RESOURCES DEVELOPMENT

**SENATOR JOHN CAMACHO SALAS**  
**CHAIRMAN**

---

April 14, 1997

**COPY**

To: Mr. Michael W. Kuhlmann, Director  
Department of Agriculture

Fr: Chairman

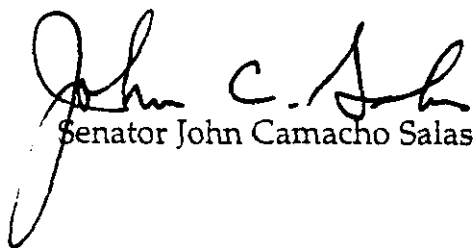
Re: Slaughterhouse Marketing Plan

Following-up with our March 31, 1997 Public Hearing on Bill 46, please provide a Marketing Plan/Plan of Action for the proposed Slaughterhouse, as requested by my committee.

Also, as mentioned during the Public Hearing, you will discuss with Guam Waterworks, Guam Power Authority, and Public Works issues of the possible water situation, set-up of power and sewage for the proposed Slaughterhouse.

Please provide a timeline of when we can expect the above information. We will need this before the Committee can take action on Bill 46.

If you have any questions, please do not hesitate to contact me or staff members Marcel G. Camacho or John Meno at 472-3585. Thank you.

  
Senator John Camacho Salas

*rec'd* ✓  
4/15/97



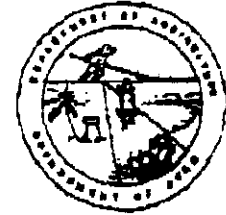
Carl T. C. Gutierrez  
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Lt. Governor

# Department of Agriculture Dipattamenton Agrikottura

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Forestry & Soil Resources	735-3949/50; Fax 734-0111
Plant Nursery	734-3949
Plant Protection & Quarantine	472-1651; 477-7822



Michael W. Kuhlmann  
Director

Joseph G. Sablan  
Deputy Director

April 23, 1997

The Honorable John C. Salas, Chairman  
Committee on Agriculture, Land, Housing,  
Community and Human Resources Development  
24th Guam Legislature  
155 Hesler Street  
Agana, Guam 96910

Dear Chairman Salas:

In response to your April 14 letter:

1. The property designated by law for the slaughterhouse is directly served by a 24-inch sewer line and a 12-inch water line. There also are provisions within the facility for primary waste treatment.

2. Guam Power Authority has provided assurances that with new baseline generators already in place it would not any difficulty serving the slaughterhouse and that generating capacity conditions will be even more favorable by the time the slaughterhouse is built.

3. A marketing plan/plan of action is more complicated. As I reported, a business plan-operational study report is being prepared by the University of Hawaii-Manoa's business school. Its completion date is uncertain. Initially, it was to be done by September 1996. We apparently were beguiled by the prospect of a USDA-funded study through the local Resources Conservation and Development Council without considering the implications: An academic study involving obtaining a grant and working with two federal agencies. It was behind schedule by the second day. In hindsight, we would have been better off using FY95 local funding to obtain a commercial study.

Having a marketing plan/plan of action however, is somewhat reversing the proposed process. If those were known, there would



be less need for a board of directors of business people. Directing and implementing such plans is a primary use of their expertise, which is unavailable in government.

If I were chairman of such a board, a first recommendation to directors would be to find and hire full-time as a corporation employee someone, wherever he or she could be found, with the knowledge, experience and ability to develop such plans, organize the project and direct establishment of the facility. Again, as a government organization, personnel recruiting requirements and limitations do not allow for this.

The comprehensive discussion of March 31 was helpful, but I apparently did not sufficiently appreciate the amount of history which needed repeating. Whether, where and government's role were givens, by public law. Bill 46 is a proposal on how to best going about doing it. The following is information on other points raised by senators.

1. WHY IS THIS A GOVERNMENT PROJECT? - No one prefers that this project be a government undertaking. There is little disagreement that it should be a private commercial project. It is a government project as a means of last resort because no private party has stepped forward to do it. After more than two no-progress decades, P.L. 20-197 tasked the Department of Agriculture to build this facility and run it for one year before it is turned over to a non-government long-term operator. I feel confident that if, at any stage of development, a bona fide proposal is made to make it a private business, there would be little, if any, resistance to taking that new direction.

2. PUBLIC HEALTH - Public health will benefit from proper meat processing. A 1996 comprehensive animal disease survey showed no diseases in animals, indicating any health problems arise in slaughtering and handling. Sanitary operations will be monitored by U.S. Department of Agriculture, Guam Environmental Protection Agency and Public Health and Social Services.

3. CONFLICT OF DIRECTOR OF AGRICULTURE AS BOARD CHAIRMAN - The Director of Agriculture was designated to chair the corporation board of directors to maintain the responsibility assigned Agriculture by P.L. 20-197 and not pass the buck and to provide the necessary continuous effort "volunteer" directors could not.

It will be difficult enough to find capable business people willing to serve as directors. Finding a suitably capable person to take the responsibility of being chairman on what is, in effect, a volunteer basis, is problematic.

Agencies regulating the slaughterhouse will be Department of Public Works and GEPA for design/construction and GEPA, USDA and DPH&SS for operations. Even meat and operations inspectors are

federal USDA employees.

I understand it is possible for GovGuam to assume regulatory authority for the slaughterhouse, but sales of meat produced would be limited to Guam only (not a problem in the short term). Guam also would have to set up a parallel set of regulations to enforce, develop within GovGuam the presently non-existent expertise, and then have to pay the costs of inspection. As a federally-regulated facility, full-time professional inspectors are provided at federal cost. That's the nation-wide system. There is no prospect for the Guam Department of Agriculture being able to afford to acquire regulatory expertise and capability.

Hawaii slaughterhouses were Hawaii-regulated for a time but last year Hawaii turned the entire operation over to the federal government as unworkable and unaffordable for the state government. A large aspect, which would apply to Guam, was that the cost of inspectors with state civil service work rules, requirements, wages, etc., were prohibitive. It drove up costs of services to producers and priced product out of the market.

It is not clear what advantages there would be to self-regulation which would offset the problems and costs. USDA has the necessary capability fully developed and immediately available.

4. FEASIBILITY - This is somewhat of a tail-chase: Factors change constantly and take considerable time to study; when a feasibility determination is made and used to apply for application to USDA, by the time USDA approval is obtained, one to two years, the initial feasibility data is outdated. By the time data is updated, the USDA approval expires. Major factors of market and supply of animals have been determined as sufficient and increasing.

The key feasibility aspect, however, is operational efficiency, the ability to compete in the marketplace. The basic reason for Bill 46 is the obvious infeasibility of operating the slaughterhouse as a government activity.

5. NEIGHBORHOOD IMPACT - The statute-designated site is surrounded by active farms, mostly livestock, and Air Force Property. The closest neighbors are piggeries. The nearest non-farm residences would be approximately a third of a mile away, upwind and on the opposite side of Route 1, an area which has been designated for the Land for the Landless Program.

Farmers who were directly involved in having this site designated in law for the slaughterhouse report it was particularly decided upon because of direct availability of necessary utilities and remoteness from conflicting land uses.

As I indicated in my testimony, even with Bill 46, this is not a

slam-dunk undertaking. It will require economy in construction and incurring debt and efficient organization and operations to be a commercial success. If at any time the project appeared infeasible, a board of directors of non-government business people would be more likely to recognize such and halt progress. It would be against their personal interests to continue blindly, as their professional credentials would somewhat be on the table.

I share the concerns of committee senators about the success of this project, but allowed to function as a commercial business would it has an acceptable chance of viability. To repeat the main point, however, as it now would have to be established and operated, as a GovGuam entity, with all the fiscal, personnel and operational requirements and limitations that entails, it would be foredoomed, with have no chance at all.

I hope this information is helpful to you. Bill 46 is for best possible means to date of finally making this facility a reality. There could be room for improvement in how this is done, however, and I certainly am open to all new ideas. I am hopeful that with co-operative dialogue, we can devise a plan which is acceptable and workable.



MICHAEL W. KUHLMANN

## 1996 HOG PRODUCTION SURVEY

Public Law requires the Department of Agriculture to build and operate an agricultural slaughterhouse. This project has been promised for many years, but now is becoming a reality. To properly plan slaughterhouse operations and finances, it is necessary to have realistic information on how many animals hog producers would provide. Your cooperation in assisting the Department of Agriculture compile useful data would be very helpful in ensuring the success of the slaughterhouse.

NAME HOG PRODUCERS (86)

VILLAGE: Agat (3), Asan (1), Chalan Pago (1), Dededo (35), Inarajan (1), Malojloj (3), Mangilao (6), Merizo (8), Ordot (2), Piti (2), Sinajana (2), Talofofa (2), Tamuning (1), Umatac (2), Yigo (17).

1. How many of the following types of animals do you have now?

Sows	Boars	Gilts	Shoats	Weanlings	Sucklings
411	160	316	108	545	434

2. If a public slaughterhouse is available, would you send your animals there for slaughter? Yes 66 No 11 Undecided 9

3. When the slaughterhouse is available, would you increase the size of your herd? Yes 64 No 9 Undecided 13

4. If so, how much and over what period of time? Double the production per year.

How many animals of each type (above) would you project to send to the slaughterhouse during the first year of its operation?

Sows	Boars	Gilts	Shoats	Weanlings	Sucklings
<u>345</u>	<u>150</u>	<u>1,035</u>	<u>1,101</u>	<u>446</u>	<u>231</u>

5. Would this represent a significant increase in the size of your hog farming operation? Yes 60 No 7 Undecided 19 About how many hogs did you produce during the past 12 months? 2,696 About how many of these did you raise to more than 100 pounds, hoof weight? 919

6. Would you probably send hogs to the slaughterhouse below 100 pounds, on the hoof, or larger than 100 pounds? Less than 100: 42 Greater than 100: 44 If both, about what percentage of each? Less than 100: 48% Greater than 100: 50% Undecided: 2%

7. If a hog producers co-operative is organized, would you likely join as a participating member? Yes 54 No 5 Undecided 27

8. Total amount of pork (Lbs.) produced? 151,004 lbs.  
Amount used for home consumption (lbs.)? 45,481 lbs.  
Amount sold (lbs.)? 105,523 lbs.