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FEDERAL EMPLOYEE ASSISTANCE AR 7731
IN A REDUCTION IN FORCE

HEARINGS
BEFORE THE
**SUBCOMMITTEE ON RETIREMENT AND
EMPLOYEE BENEFITS**
OF THE
**COMMITTEE ON
POST OFFICE AND CIVIL SERVICE**
HOUSE OF REPRESENTATIVES
NINETY-THIRD CONGRESS
FIRST SESSION
ON
H.R. 7731
A BILL TO AMEND TITLE 5, UNITED STATES CODE TO
PROVIDE SPECIAL ASSISTANCE AND BENEFITS TO FEDERAL
EMPLOYEES INVOLUNTARILY SEPARATED THROUGH REDUC-
TIONS IN FORCE, AND FOR OTHER PURPOSES

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FEDERAL EMPLOYEE ASSISTANCE IN A REDUCTION IN FORCE

TUESDAY, JUNE 5, 1973

U.S. HOUSE OF REPRESENTATIVES,
COMMITTEE ON POST OFFICE AND CIVIL SERVICE,
SUBCOMMITTEE ON RETIREMENT AND EMPLOYEE BENEFITS,
Washington, D.C.

The subcommittee met at 9:35 a.m., in room 210, Cannon House Office Building, Hon. Jerome R. Waldie (chairman of the subcommittee) presiding.

Mr. WALDIE. The subcommittee will come to order.

Today the Subcommittee on Retirement and Employee Benefits begins a series of inquiries into the effects of military base locations on affected civilian Federal employees and their communities.

If present Department of Defense plans take effect, within the fiscal year 1974 between 25,000 and 30,00 employees will have chosen either to retire or to shift their work location so that they can maintain their Federal employment. Those who do not take advantage of these options will be unemployed until they find suitable jobs in the private sector. In some cases, periods of unemployment may be protracted, since the regions of the country negatively affected by the recent base closing announcements already have rather serious general unemployment problems.

There are many problems which flow from the closing of military bases. A compassionate government must concern itself with finding employment for those whose jobs are affected, and it should make certain that personal income simply does not cease. The Federal Government should shield local unemployment insurance systems from excessive loads. It should also make certain that health insurance benefits are guaranteed at a level which would prevent catastrophe if heavy illness overtook the family of a newly unemployed Federal worker. But these are only parts of a larger picture.

A community which has a large number of civilian defense employees, and whose economy has always been dependent to some degree on the location of a military base will have some serious adjustments to make when the base is closed. Real estate markets soften when large numbers of houses become vacant because Federal workers move all at once to find jobs. The housing construction business suffers from this same effect. Local merchants find that their sales fall off, at least for a short period, and the community's tax base suffers. Impact aid to school districts which lose military bases slows and then ceases entirely—even while the pupil population remains about the same.

These are not problems of small importance, though they are often reported as mere adjustments in some statistical index of our national quality of life. In reality, a small State like Rhode Island faces the worst economic crisis in its history—and many communities and individuals may be in similar straits.

The purpose of our examination over these first days will be to find some way to minimize the interplay of possible negative consequences on individuals and communities as the readjustment from the Vietnam mobilization takes place. We have a distinguished group of witnesses from whom we expect to derive some kind of standard against which to measure the performance of the Government in these areas in the months and years ahead.

As a related matter, I have introduced H.R. 7731, a bill to provide special assistance and benefits to Federal employees involuntarily separated through reductions in force, and for other purposes. This bill would take account of the needs of any Federal employees whose jobs fall victim to the need for greater economy in government. It would offer readjustment allowances, job training and counseling, relocation allowances, early retirement provisions, and the continuation of health care benefits. This bill is particularly important now, when there is underway a general reduction in the size of the Federal work force. These hearings focus on military base closings and their related effects as the best, not the only example of the need for Government action to mitigate the side effects of the actions it takes to achieve economy and good government.

The first witness is Mr. Seymour Melman, professor of industrial engineering of Columbia University and national cochairman of SANE.

Your prepared statement will be included in the record in its entirety, after your oral testimony and the questioning of the subcommittee members.

STATEMENT OF SEYMOUR MELMAN, PROFESSOR OF INDUSTRIAL ENGINEERING, COLUMBIA UNIVERSITY, NATIONAL COCHAIRMAN, SANE

Mr. MELMAN. Congressman Waldie. I wish to compliment, if I may, you and your colleagues for undertaking an inquiry into this subject. It is not the first inquiry into these matters of conversion from military to civilian economy, but it is one that focuses on the issue, especially the issue of base closing and its effect at a time when there may be an opportunity for a fresh view of these matters.

Thank you for accepting the statement that I presented which I submit with the attached exhibits. The exhibits, I believe, include a considerable amount of valuable background material for appreciation of the problem of conversion of a military base personnel and facilities to civilian activity.

Mr. Chairman, there are two essential requirements for such conversion operations. The first is advance planning and the second is local responsibility. Their importance is not diminished, in fact it is highlighted, by the fact that neither of these two requirements have been met until now by any of the efforts pursued in this field.

Advance planning is indispensable because there is no known method for coping with the provision of new employment opportunity for the thousands of men and women except by thoughtful advance attention to this problem.

In the absence of such planning, the record of many, many base closings in the past shows that even the most vigorous efforts pursued on an ad hoc and emergency basis result in a scattering of effects, result in great residual hardship to individuals and to the communities involved, and characteristically leave a less than satisfactory result, even where positive economical alternatives of various sorts had been devised.

Secondly, on a matter of local responsibility. Without delving into the deep issue of centralism as against decentralism, it remains that on a pragmatic basis no one knows how to do central planning in detail for the 500 major military installations inside the United States.

That can only be done by people sharing responsibility and authority in the particular localities. That is the best opportunity for marshalling the local specific data and for bringing to bear the oversight of persons who are most intimately concerned with the future of the community that is involved.

I wish to emphasize that these problems of conversion are old problems and neglected problems. In fulfillment of what I consider to be a public responsibility, I could not appear here without underscoring to you the reasons why this responsibility for economic conversion has been thus far neglected by the members of Congress and by the Executive.

First, there is the national belief that war economy, military economy, is a good thing and that it is necessary, indispensable for economic well being.

A second consideration is the assumption that has pervaded in our country that the cold war will endure for an indefinite future. The truth of the matter is that the cold war, unlike other military engagements, has had no definable termination as part of the understanding of its characteristics. Nevertheless, the assumption that this will endure indefinitely has had an important effect in making it seem unreasonable and unnecessary to do forward planning for conversion.

A third factor: Members of Congress have been themselves professionally, personally involved in arranging for the location and continuation of military base activities. Members have become involved in the function of sales representatives for local communities and for the people involved.

Fourth, the executive branch has pursued a policy of aggressive prevention of conversion planning and discouragement of local responsibility.

In my prepared statement—

Mr. WALDIE. What was your fourth one? I missed that.

Mr. MELMAN. The executive branch of the Federal Government has pursued a policy of aggressive prevention of conversion planning and of local responsibility.

Mr. WALDIE. I presume you will now elaborate on those points.

Mr. MELMAN. May I?

Mr. WALDIE. Yes. They are conclusions that you will now substantiate.

Mr. MELMAN. The latter point is, I believe, of very special importance. The single most significant attempt to file legislation on the conversion problem was the one that appeared in 1964 when parallel legislation was filed both in the Senate and in the House.

In the Senate it was filed by Senator George McGovern, co-sponsored with 30 other members, and in the House it was initiated by Bradford Morse, by William Fitts Ryan, again with the co-sponsorship of numerous members.

What happened to those bills in 1964 is of moment today. Hearings were held before the Commerce Committee of the Senate on May 25 and June 22, 1964. At these hearings, to which public witnesses were not invited, representatives of the principal departments of the executive branch presented testimony. That testimony was uniformly hostile to the proposed legislation, which was designed to set up a National Economic Conversion Commission and to induce nationwide conversion planning at all levels by all sectors of the economy, and to involve the Governors of the States, the officials of localities and various private groups in such planning.

The concept here was rather similar to the one that was utilized at the end of the Second World War, when in 1944 and 1945 a national effort for what was then called reconversion planning was spearheaded by the Federal Government. That reconversion planning played a very important part in smoothing the changeover from a wartime to a peacetime economy.

The history of the hearings on Senate 2274 included especially important testimony, both in length and in quality, by Cyrus Vance, the Deputy Secretary of Defense, who argued that this legislation was unnecessary at the time.

Since the record of that hearing is available, may I dwell on some collateral aspects that are not generally available.

One year ago I became concerned, on reading those hearings, with understanding what had happened at the time. For example, it seemed odd to me that such eminent members of the executive branch would appear at a hearing whose total duration was not more than 6 hours in two sessions and on behalf of a bill that did not receive extensive testimony and which was uniformly opposed by the executive branch from the White House down.

Fresh light on this subject was available from a reading of the Pentagon Papers, and I refer here to the Bantam edition published in 1971 by The New York Times. On the same day of the first day of these hearings, May 25, 1964, the record of the Pentagon Papers records the completion of the draft Congressional resolution on Southeast Asia, which draft resolution subsequently became the principal part of the text of the Tonkin Gulf Resolution.

Furthermore, the record of the Pentagon Papers, all editions, shows that prior to that first date of hearings and until and after the second date of hearings, June 22, 1964, there was an accelerating process of military-political planning for military-political operations in Vietnam and elsewhere in Indochina.

Furthermore, the record of those papers shows that the principal administration spokesman at the 1964 conversion hearings from the

Department of Defense, Messrs. Cyrus Vance and John McNaughton, were major participants in that process of military-political planning. Thus, the Gravel edition, of the Pentagon Papers, volume 5, containing a name index, shows on pages 13 and 19 of that index the extent of participation by Messrs. Vance and McNaughton.

Cyrus Vance and John McNaughton therefore knew in full detail of the military planning for the operations that were being escalated in Vietnam. They came to these hearings to oppose planning for peace, being fully aware, as major participants, of the planning for war.

The reasons that they gave to oppose the planning for peace did not include any statement or reference to the inappropriateness of that planning in view of the fulsome attention being given to the planning for war.

In my prepared statement, Mr. Chairman, I indicated that in my judgment the manipulations practiced by the executive branch in squashing a legislative effort to plan for peace constituted a conspiracy against the American people. I noted that it is a bitter fact that Senator Magnuson, Chairman of the Commerce Committee, and his associates thereafter, intended or not, collaborated in this operation by failing to bring this bill out of committee to the floor of the Senate for an open vote.

There is a fifth factor with respect to the prevention of conversion planning, again a factor which causes this committee to meet, and that is that there was established in the Department of Defense around 1962 or 1963 an Economic Adjustment Office and later under President Nixon an Interagency Committee on Economic Adjustment.

These groups were specified as being available to help local communities make an adjustment from, say, a military-base-serving economy to a civil-serving economy at a time when that adjustment seemed to be required. They have done that, and I am sure that this committee can hear witnesses from these agencies who will give the record of their performance in fulsome detail.

Two crucial elements have been missing from their efforts in the past, are missing now, and may be depended upon to be absent in the future, and that is these groups have not encouraged advance planning by these communities. Second, they have not encouraged the kind of local responsibility and control which is an indispensable requirement of such planning.

Furthermore, it is an incongruity that such a unit, whatever its modus operandi, should be located in the Department of Defense rather than in a civilian economy oriented agency of the Federal Government.

The consequence of all this, Mr. Chairman, is to produce economic shock effect whenever military base closings or modifications are proposed.

Mr. WALDIE. May I interrupt you a moment. Is there a similar effort, minimal as it might be, to consider adverse consequences to a community from the closing of a defense installation, not a military base, but the fact that it is totally oriented toward defense and war production?

Mr. MELMAN. The conditions are similar.

Mr. WALDIE. But is there an agency that has that responsibility?

Mr. MELMAN. There is no agency, and it is this unit again—

Mr. WALDIE. The Economic Adjustment Agency?

Mr. MELMAN. Yes, sir. The record of their activity shows that they have been asked to appear, and they have appeared, bringing in representatives of other branches—of other agencies of the Federal Government to assist in local situations where, for example, certain major military-industry units have closed down, where ammunition plants have closed down. Obviously, they have not attempted to intervene where there have been major military-industry cutbacks.

Mr. WALDIE. Before you go on, I want to clarify in my own mind, is this the only agency of which you are aware in the Federal Government that has any responsibility toward this problem, whether it be a military base closing or a defense industry closing?

Mr. MELMAN. The only other agency which formally may be said to have a responsibility in these respects is the Economic Development Administration of the Commerce Department.

Mr. WALDIE. But that would be a peripheral responsibility; that is not their primary responsibility?

Mr. MELMAN. It has not been given to them as a primary responsibility, and my recent information is that that agency or major parts of it are being curtailed.

Mr. WALDIE. But thus far, am I correct in assuming that the Economic Adjustment Agency, or its successor in the Nixon Administration, is the only agency or group in the Federal Government whose exclusive responsibility is to deal with this problem, the adverse impact on communities of closings?

Mr. MELMAN. That is correct.

Mr. WALDIE. Mr. Moakley has arrived since we started. If you have any questions.

Mr. MOAKLEY. No, Mr. Chairman. I was very interested in the situation, but I will have to leave shortly.

Mr. WALDIE. Please feel free to interrupt any time you desire.

Mr. MELMAN. As evidence of the shock effect upon diverse communities from the closing of military bases in the absence of advanced planning and in the absence of ordered local responsibility, may I submit for the record the article of June 3, 1973, in The New York Times entitled, "Adjusting to Closing of Military Bases." It includes in capsule form a series of reports from various States.

Further, Mr. Chairman, may I underscore that if these conditions are to be altered, then one crucial requirement is a change in attitude by members of Congress or by the executive branch.

I regard a change in attitude by the executive branch as not to be expected in the foreseeable future. I recall a visit to the Office of Economic Adjustment in 1963 during which I asked: "Why doesn't this office encourage or require military-industry communities or military-industry industrial organizations to plan for the contingency of going to civilian work?" The response that I received was that General LeMay would not like these groups to be thinking about other things than the Air Force or the service to their military clients.

While I understand that policy out of their self-interest, it under-

scores the importance of removing the function of facilitating conversion to a civilian economy from the Department of Defense.

Mr. WALDIE. May I interrupt a moment here, too? It is not directly on your point, but thinking about the general thesis of your comments, it seems to be that our deficiency is when we convert from a military to peacetime economy that there are greater adverse impacts. But what about other activities of the Federal Government where we are the major employer by contract, such as Lockheed? If you shut down the Lockheed plant, or Boeing, and decide not to build the SST, you may throw Seattle out of existence. That is a civilian responsibility, a civilian economy.

Would your proposal involve the Federal Government having any responsibility for a city when you discontinue a Federal nondefense contract?

Mr. MELMAN. Mr. Chairman, the two requirements of advance planning and local responsibility would go very far to meet the requirements either of the military-industry or the bases problem. In addition, there are plausible ways of cushioning the shock to those individuals that might not be taken care of even in the best laid conversion plans.

Mr. WALDIE. Some of the biggest locations would seem to me to be in the civilian sector. Boeing is one, the SST, and Lockheed in California is the other, when we decided the issue should we loan them money to remain in existence, and they maintained that their problems were due to deficiencies in Federal contracts. Those were peacetime production contracts.

Mr. MELMAN. Mr. Chairman, the record of cost maximization that prevails in military-industry firms has rendered these organizations, as institutions, incompetent to function in the civilian economy. Therefore, your query opens up a related set of problems, namely, what can be done for the people involved if their institutions are organizationally incapacitated from making the move to civilian work?

Mr. WALDIE. I am inclining to believe at this early stage in these hearings that we ought to assume the cushion of last resort, no matter what be the cause of the unemployment.

Mr. MELMAN. I am prepared to comment on that cushion of last resort, Mr. Chairman, in concluding these remarks.

When the Members of Congress decide to break their position of being professionally responsible for employment in their districts through DOD grants, contracts, and base facilities, and when they are prepared instead to encourage and facilitate local planning and local responsibility for a durable civilian economy, then it will be possible to legislate for those purposes.

For example, advanced planning can be required; second, it can be encouraged; third, it can be given appropriate standards of quality by setting national criteria for the performance of these functions.

For example, by requiring that alternatives for local economy be examined; by requiring that the planning indicate the capital requirements of alternatives and the employment consequences of alternatives; third by—

Mr. WALDIE. How can a member of Congress from Rhode Island give up his advocacy of employment for his constituents, no matter

what the source of that employment is, when they are out of work? They are out of work. With Rhode Island being shut down, due to defective planning in the past, what does that congressman do? Does he say, well, that is okay, because it was a mistake to have operated Rhode Island as a defense installation over the years—and it has been a mistake—but what does the congressman confronted with an administration decision to shut down Rhode Island now do, in your theory?

Mr. MELMAN. He can proceed in one of two fashions.

One, he can assume continued responsibility for finding and allocating military-industry and military base work for Rhode Island.

Secondly, he could conceivably assume, to put it bluntly, that what had been done until now requires major modification and that the only course for a durable civilian economy for Rhode Island is locally planned and locally responsible civilian economic development in the name of which it is still possible at this juncture to take various steps to encourage and facilitate that.

Thirdly, the member of Congress from Rhode Island would have to face the fact that he bears a responsibility for the economic debacle in the shape of his own failure to participate until now in the appropriate planning and local responsibility steps. He can encourage those moves now and pass legislation that would cushion the impact on individuals through a period of changeover.

Mr. WALDIE. But until such time as that cushion is provided, would he be acting irresponsibly to insist upon the maintenance of the defense installations upon which his constituents have to pay the bills and raise their kids?

Mr. MELMAN. The question is, Mr. Chairman, who is he being responsible to? If his primary responsibility is to the people on that DOD payroll, then he fulfills that responsibility by getting them onto that payroll again, no matter what the other effects.

If his primary responsibility is to the rest of a community and to the viability of the U.S. economy as a whole, then the requirement of his action is to enter into the necessary steps to convert to civilian economy.

Mr. WALDIE. Then he has a responsible position to advocate base closing on a gradual basis, not a precipitous basis?
vanced planning.

Mr. MELMAN. Every closure is precipitous where there is no ad-

Mr. WALDIE. That is the situation we are confronted with now. Admittedly, it has been a disaster and a tragedy, but is it a greater disaster or a greater tragedy to have 5,000 families cast aside without any income than to have them tending a base every day, not doing anything but drawing on the Defense Department's budget?

Mr. MELMAN. If the matter is put sharply, then the welfare of the economy as a whole is best served by maintaining these people economically at whatever minimum level.

Mr. WALDIE. No law does that now, is that correct?

Mr. MELMAN. That's correct.

Mr. WALDIE. What does the congressman do that is confronted with this ad in the papers, saying, "We can't take it, Mr. President? We all goofed, but now you are putting the responsibility for the goof all on us."

Isn't that true? It has been a national mistake, but the responsibility for the mistake is falling on the Rhode Island fellow who is trying to put his kid through school and go through the most sympathetic family situation that we are casting aside because it is a national mistake.

We participated in the mistake in Antioch, Calif., but the dislocation of the mistake is not going to be borne by any of my constituents.

Mr. MELMAN. In the last decade, that mistake has been repeated at least 500 times over.

Mr. WALDIE. I agree.

Mr. MELMAN. If that is acknowledged, then the requirement is to ask what assumptions have been made in pursuit of that consistent mistake, as you call it; and second, what changes do you make now.

Mr. WALDIE. I am ready to accept all your arguments, that the policy has been wrong, the intentions have been wrong, but I am looking for solution, both long term and immediate, for Rhode Island.

What is the immediate solution for Rhode Island?

Mr. MELMAN. I propose an immediate solution in a three-part movement.

First, that the function of facilitating planning responsibility be placed in the hands of a civilian agency of the Federal Government forthwith.

Second, that this planning and pursuit of local responsibility under Federal standards be pursued swiftly.

Further, that for the cushioning of individuals, the Congress inquire into the formulation of a defense employees bill of rights. That bill of rights should include practical measures to cushion a family through a period of changeover where their work and income is no longer attached to a military base or other military installations.

Thus, such a bill of rights could include a minimum income provision. I noted in my prepared statement that one base line for a minimum income provision is the social welfare standard that prevails in a particular state. Other provisions can include money for occupational retraining where necessary.

Second, money for family relocation.

Third, provisions for mortgage and allied credit payment moratoria. There is a precedent for that, Mr. Chairman, in the steps taken during the Great Depression for various moratoria on mortgages and similar credit payments.

A series of steps along those lines would be a visible act of responsibility toward the people who are put out of their former work in military bases or military-industry. I can think of no more constructive act by members of Congress than this combined response for the longer term and for the cushioning of individuals.

That's my principal proposal, Mr. Chairman, to the query that you raised, but I underscore again that this can happen if and only if the responsibility of the Members to the ads such as you show, and to the hosts of local committees for saving our base, is to say the time has come to look after ourselves locally, with Federal assistance, with planning in a thoughtful way, and to do this all in the understanding that the Members of Congress are prepared to see to it that indi-

viduals not accounted for in new economic plans will be cushioned beyond through a changeover process. I think that is a maximum and responsible approach by members of Congress.

I have come here and I have responded to your questions, Mr. Chairman, without assuming that such steps will be taken. That is to say I have yet to see the evidence that Members of Congress are prepared to withdraw from a primary posture of being sales agents for Defense bases and military-industry firms and the like.

However, I wish to make a further effort in constructive response to this kind of problem, because I have the estimate that at some time Members of Congress will favor this change. They will see that other approaches are not feasible and that it would be a great boon to them as Members to be relieved of this kind of burden. That burden puts them in a client relation to one agency of the Federal Government, the Department of Defense, which they are otherwise obliged to regulate and control. Being relieved of that burden improves their position to fulfill the constitutional function for which they take offices in the Congress.

There have been many hearings, Mr. Chairman, in the Congress and various committees on economic conversion. I am sure I have attended at least 10 of them as a witness. There has been no response to the issues that you have raised in your questions. The members have preferred to keep the old relationship. If you want a responsible response to people who are going to be discharged from their military base employment then you are obligated Mr. Chairman, to take a lead in proposing legislation for planning with local responsibility, for Federal encouragement, and for a defense employees bill of rights to cushion the residual effects on individuals.

Mr. WALDIE. Do you find anything inconsistent with the Congressman's responsibility when he acts as a salesman for a peacetime industry dealing with the Federal Government?

Mr. MELMAN. My recollection of the reading of the Constitution of the United States doesn't bring to mind any clause that would even remotely imply such a function by Members of Congress.

Mr. WALDIE. Do you mean that you don't think that it is a responsibility of the Congressman to try to procure a Federal contract for a major employer in his district—a peacetime contract?

Mr. MELMAN. It is not a proper responsibility of Congressmen. I appreciate that under the customs and practices that have grown up under the name "logrolling," securing public works—

Mr. WALDIE. What about grants to educational institutions in his district or community, or action grants under OEO? Is that a function of the congressmen?

Mr. MELMAN. No sir, I do not think it is. It is not a proper central professional function of the members of Congress to act as procurers of funds, grants, contracts, or special favors to their districts. The consequences result in all manner of anomalies and inequities.

For example, diligent members of the press have called attention to the otherwise unexplained movement of military installations, headquarters establishments and the like to the districts of members who have in the recent past become chairmen of certain committees.

Mr. WALDIE. No question. I was merely asking about peacetime

responsibilities at this point. Is there any sense in a black Congressman seeking to get governmental facilities located in his congressional district to provide employment for his constituents who have been ignored because they have always had a white Congressman who got it elsewhere?

Mr. MELMAN. Mr. Chairman, I hold the view that it would be proper for your hypothetical Congressman to plead the case that there be no discrimination on grounds of race in the allocation of such Federal grants or contracts or what.

Mr. WALDIE. Beyond that, he has no responsibility to seek their location in his district of those facilities?

Mr. MELMAN. I judge, Mr. Chairman, that the development of the principle of responsibility by the Members of Congress to perform this task has resulted in a warping of the capability of the Congress to function on the behalf of the national interest.

Mr. WALDIE. Who should make those decisions? Just the executive branch? They should determine where all the military installations should be?

Mr. MELMAN. No, sir. For example, in the recommendations I have made in my statement and previously in this discussion, I have called attention to the importance of standards of criteria for such planning for local responsibility.

Mr. WALDIE. But who decides where a base should be located?

Mr. MELMAN. Suppose the principle is laid down that in the make-up of a local community group to do planning for conversion of a base facility or an industrial-military facility, such Committee shall be representative of the diverse economic and other groups of the community, however that may be phrased. It then becomes the obligation of those implementing that Act of Congress to perform in that fashion.

The Congress, by setting that rule, lays down a major constraint or requirement for the decision-making, the detail of which is dealt with, is implemented by persons in the Executive Branch. In that way, the Congress indeed takes in fact a major part in the decision-making, but the Members of Congress do not become involved individual by individual, community by community, base by base, plant by plant, union by union.

Mr. WALDIE. But the Executive Branch does?

Mr. MELMAN. Yes, sir, they do, subject to the constraints set by the Members of Congress.

Mr. WALDIE. Those constraints exist now. Aren't there general guidelines? Nobody pays much attention to them, but they exist. For example, there are guidelines about where bases should be located, though not as to when they should be closed down. I am really just trying to get a colloquy going here. I gather your assumption is that the maldistribution and the discontinuation of defense establishment facilities is essentially the result of actions by the Congress. My own conviction is that that is not so clear, but your solution is to remove Congress from that role.

Mr. MELMAN. Mr. Chairman, I would say that if the Members of Congress would set the rule that military bases shall be located on the basis of well-defined criteria, be they military criteria or be they

economic cost criteria, then that would have the effect of placing a burden of proof at the minimum on the members of the Executive Branch who do that detailed allocation.

In the present case, for example, there would be quite a burden of proof on the Department of Defense to explain how it is that there is the special concentration of military base closures in the State of Rhode Island. But at the present time the members of the Executive Branch, in this case the Department of Defense, are under no constraints, they are under no limits, they are under no rules of performance for this base location function.

Mr. WALDIE. Mr. Hogan, do you have some questions?

Mr. HOGAN. I have no questions, Mr. Chairman.

Mr. WALDIE. Professor, if you have more, please continue. If not, we will call Mr. Clewlow, the head of the agency to which you have been referring, of the Department of Defense, and then call you back, if you would like.

Mr. MELMAN. I have concluded my testimony.

Mr. WALDIE. Why don't you remain, though, if you don't mind, to listen to Mr. Clewlow and Mr. Sheehan, and we may very well want to ask some additional questions of you.

Mr. MELMAN. Certainly.

Mr. WALDIE. Thank you very much. Thank you for your patience and tolerance.

[The prepared statement submitted by Mr. Melman follows:]

PREPARED STATEMENT BY SEYMOUR MELMAN

(Professor of Industrial Engineering, Columbia University; Vice President, New York Academy of Sciences; Co-Chairman, SANE; author, *Our Depleted Society*, Holt, Rinehart, Winston, 1965; *Pentagon Capitalism*, McGraw-Hill, 1970; ed., *Conversion of Industry from Military to Civilian Economy* (a series) Praeger, 1970; ed., *The War Economy of the U.S.*, St. Martin's Press, 1971; *Planning for Conversion of Military-Industrial and Military Base Facilities*, 1972)

Within the United States 1 million federal civilian employees and 1½ million uniformed military personnel are located on 500 major military bases. These bases are dispersed throughout the states of the union and involve payrolls of \$10 billion per year to military employees.

The military base system and the pattern of competition for securing and maintaining the location of these facilities in particular districts and states has proceeded on the basis of specific military, economic and national policy assumptions. It has been assumed that it is necessary and proper for the United States to design and operate armed forces appropriate to conduct one nuclear war and two conventional wars at the same time. Further, it has been assumed that these armed forces are necessary and proper not only for deterring possible external attack on the United States, but also for establishing "world hegemony" by the government of the United States and an accompanying *Pax Americana* (U.S. Army 1965 contract proposal). That is why approximately ¾ of the U.S. military budget during the last decade has been devoted to the General Purpose Forces and the system of military bases at home and abroad (the bases overseas are in about 36 countries and number more than 400 major installations).

These military policy assumptions are summarized here since they constitute the policy basis for the design of armed forces and hence the system of required bases.

Economic assumption: military bases have come to be regarded as a permanent part of the national economy and in particular of the economies of the communities and the states where they are located. They are regarded as an economic boon, putting money into circulation and stimulating local

trade, local real estate values and the local level of living. Unseen in this perception is the degree to which military bases, like all other military activity constitute a net drain on the civilian economy as a whole. For these installations and their operations, whatever else their desired function, do not contribute either goods or services to the level of living of the society, nor to the means of production for the fabrication of further goods or services.

Even a very large military system undergoes change including changing requirements in the military base system. That is certainly the case at the present time and accounts for the announcement by the Secretary of Defense on April 17, 1973 detailing the consolidation, reduction or closing of 274 military base installations in the United States. (Note that this includes many smaller bases not counted in the 500 major bases noted above.)

The problem of what may be done to facilitate civilian adjustment by the people working in and around military bases is a major aspect of a larger problem of conversion from military to civilian economy. I have prepared a comprehensive analysis of the principal requirements for *Planning for Conversion of Military-Industrial and Military Base Facilities*. A paper on this subject was prepared for the Economic Development Administration of the U.S. Department of Commerce and is herewith made available to this committee.

The problems induced by the closing and readjustment of various bases as announced by the Secretary of Defense in 1973 are but one part of a larger problem: the problem of economic conversion in the perspective of major reduction of the size of U.S. armed forces. Such major reduction can come about under two conceivable circumstances: first, as the United States changes its own foreign policy perspectives and withdraws from goals of "world hegemony," *Pax Americana* and the associated preparations for the conduct of a process of Vietnam-type wars; second, reduction in the size of armed forces can take place as international agreements are concluded and implemented for mutual reduction of armed forces under agreed timetables.

It is entirely possible that ingredients of these two policy change factors will be involved in a foreseeable future. The size and character of General Purpose Forces are subject to major change by single-handed decision of the United States on its own policies. So too are the Strategic Forces (with their massive overkill). Both the Strategic and the General Purpose Forces (like those based in Western Europe) are likely to be affected by international arms limitation or disarmament agreements. In response to either or both forms of policy change there is bound to be major impact on the necessary size and character of the military base system in the United States, thereby raising the problem of conversion from military to civilian work.

The elemental requirements for conversion of military bases to civilian uses are two fold: advanced planning of a conversion process; and organized responsibility and initiative for the planning process and for its implementation in the hands of the local community.

Long experience with respect to military bases in particular, and problems of designing and planning industrial operations in general, underscore the importance of these two considerations. Without advance planning in the range of one to three years, it is not feasible to carry out anything but crash, emergency, operations. Inevitably, such accommodation to military base closings or major reductions are bound to be costly in economic and human terms, and are fraught with high likelihood of failure. The advance planning period is what is required to carry out the appropriate studies of the geography, natural resources, human resources and physical plant in and around military base areas.

The military base conversion problem can be understood as one species of general economic development problem. It is like the problem that is faced by a major builder-developer who seeks to undertake a comprehensive, many-sided development of a given area, providing for long-term economic viability of housing, enterprises, and the community and other infrastructure needed by a durable economic society.

Local initiative is an essential feature because central planning is either inadequate to such a task or destructive of many of the desirable values of self-governing communities. It has been assumed in recent American tradition that central control over economic activities, even for a population of 200 million, is a feasible mode of operation. There is a considerable weight

of evidence, characteristically ignored, that speaks to the limitations on centralism and concentration of control from the point of view of economic efficiency, let alone political acceptability.

The sum of experience is that the action toward inducing advance planning and local responsibility is the centrally important action with respect to facilitating conversion of military bases to civilian use.

One way of appreciating the importance of these considerations is to examine the consequences of little or no planning and little or no local responsibility. The volume by John E. Lynch, *Local Economic Development After Military Base Closures* (Praeger, 1970), includes abundant data on the consequences of failure to plan for economic development in advance of closure. Also my paper on *Planning for Conversion* includes material to this point. I think it is worth something for this committee to learn from the case of the New York Naval Shipyard.

From 1961 to 1964 there was growing discussion as to the possibility of closure of this shipyard with its long history and approximately 9,000 employees. During late 1963 and 1964 a "Save the Shipyard" committee was formed in New York City which carried out all the usual public relations and political pressuring operations. In November, 1964 the yard was formally ordered shut and the shutdown was completed by 1966 with the loss of 9,000 jobs in the New York Metropolitan area. On February 1, 1967 the Economic Development Administration of the Commerce Department commissioned the Institute for Urban Studies at Fordham University and the consulting firm of Tippetts-Abbett-McCarthy-Stratton to prepare a study for redevelopment of the area, and these people delivered a report on "The Brooklyn Navy Yard: A Plan for Redevelopment" on May 1, 1968.

All the classic features of the failure of planning were visible here. Instead of advance planning there was organization for political pressure and the expenditure of major funds in such operations. None of the public or private parties that might be considered to be in a responsible position in this matter took any initiative whatever for advance planning operations on behalf of the New York Naval Shipyard.

During that time graduate students in the Department of Industrial and Management Engineering at Columbia University participated in a Seminar on Problems of Conversion from Military to Civilian Economy under my direction, and prepared various research papers in the New York Naval Shipyard. In 1964 I prepared a proposal for "Utilization of the New York Naval Shipyard Area for an Ultramodern, Economically Viable Shipbuilding Enterprise."

This memorandum was brought to the attention of the Mayor, his Economic Development committee, trade union officers, bankers and others with a broad economic interest in the New York Metropolitan area, including Members of Congress and members of the Executive Branch of the federal government. None of these persons responded in any constructive way whatsoever. All the people in leadership positions who were directly or indirectly involved in the case of the New York Naval Shipyard devoted themselves to the "Save the Shipyard" committee and its political pressure operations. One consequence is that the shipyard area and the surrounding neighborhood suffered economic deterioration so that there was not only a net loss to the city, but an accumulation of social cost burdens thereafter.

In this entire process Members of Congress played a part that was characteristic of the role that Members have played with respect to military base operations generally.

During the last decades of high level military expenditures Members of Congress have assumed that these activities will continue indefinitely.

Members of Congress have undertaken the role of sales representative for their states or districts, selling the labor and talents of their constituents and selling regional natural resources for purchase by the Department of Defense in particular. Such a function by Members of Congress has been facilitated by the abundant representation of the Department of Defense on Capitol Hill.

The convergence of national, military, political and economic pressures, with the collaboration of Members of Congress has contributed to locking in military base communities to dependence on this activity as a source of livelihood—without any plausible alternatives being contemplated.

The inevitable result of the absence of planning and the assumption of indefinite continuation of this work, with implied assurance that Members of

Congress would "take care" of their interests, has led military base communities to suffer economic dislocation and disruption as a consequence of decisions to close or reduce military base operations. Wherever this has occurred and will occur it will have been due to systematic avoidance or prevention of actions designed to induce planning for other-than-military use of the manpower and other resources involved in military base operations.

During the last decades Members of Congress have collaborated with the policies of the Executive Branch toward preventing the development of economic alternatives for military-industry and military bases.

The record of the last decades is in sharp contrast to the pattern followed at the end of the Second World War. By 1944, and with increasing intensity during 1945, the federal government sparked a national effort called "Postwar Planning" designed to get every company and every town involved in military work to prepare plans for going civilian. Under strong government tutelage the Committee for Economic Development was formed to see to it that conversion planning became a wide-ranging activity throughout American industry. The Mayors of cities, Governors of states, trade associations, Chambers of Commerce all took a hand in this effort. Every firm of size had a senior officer in charge of "Postwar Planning." The press was filled with articles, discussions, debates on these issues. The range of prognoses ran from optimistic judgments about employment to the forecasts of Cassandras to the effect that the worst of the Great Depression would be replicated.

Following the conclusion of major hostilities it became swiftly evident that the detail industrial and other planning operations paid off in the form of blueprint-ready capability for going civilian. This was evident in the speed with which industrial and other facilities were reconverted to their prior civilian functions.

In 1973 there is not much to be done by way of reconversion. For the larger part of the military base and military-industrial facilities were specially constructed for the military task and have little or no history of prior civilian work. Therefore the problem is one of conversion from the military to civilian use. This task, while technically definable, has as its major roadblock the popular consensus, strongly reinforced by Congressional and Executive Branch collaboration, maintaining the idea of the military base system and military-industrial as a durable and desirable form of livelihood. The consequence of these attitudes, given powerful institutional support in the near-universal absence of planning for peace, produces the presently visible dependency on the military dollar.

On May 25th and June 22nd, 1964 the Committee on Commerce of the United States Senate conducted hearings on S. 2274, a bill To Establish a National Economic Conversion Commission, and for Other Purposes. This legislation initiated by Senator George McGovern and cosponsored by 30 Members of the Senate was designed to establish a National Economic Conversion Commission and to induce nationwide conversion planning at all levels and by all "sectors of the economy." The bill provided for the convening of a national conference on economic conversion, a report to the President on appropriate policies and programs to be carried out by the various departments and agencies of the federal government, consultation with the governors of states to encourage appropriate studies and conferences at the state, local and regional levels, and the requirement that every contract and grant entered into by the Department of Defense and by the Atomic Energy Commission should include provision for setting up a conversion committee to plan "for conversion to civilian work arising from possible curtailment or termination of such contract or grant."

The two sessions of hearings on this bill permitted no testimony from public witnesses and featured statements and formal comments from the various departments of the federal government. The General Counsel of the Department of Defense, John T. McNaughton, held, in his formal statement, that no formal planning for conversion was required because the composition of military purchases include many civilian-type items, and further because the Department opposed the provision of the legislation that would require its contractors to establish committees within their organizations to plan for conversion to civilian work, and that such planning should be left to each firm—for "if company management is convinced of the value of such an effort, it would surely undertake it as it would undertake any other planning project which is in the company interest."

The Deputy Secretary of Defense, Cyrus R. Vance, in his formal testimony to this committee, opposed this legislation, mainly on the grounds that it was unnecessary. Mr. Vance pointed to the existence of a special Subcommittee on the Economic Impact of Defense Spending as part of the Defense Industry Advisory Council. This is a body composed of chief executives of principal military-industrial firms.

In 1972 I reread the hearings on S. 2274 and was struck by the unanimity with which the representatives of the Executive Branch found that this legislation was inappropriate and unnecessary. I was also interested in the fact that the Deputy Secretary of Defense and Gardner Ackley of the Council of Economic Advisers made personal appearances at this hearing which lasted only a few hours, which had no public witnesses, and which concerned legislation that the Executive Branch was obviously interested in burying. I asked myself, in 1972, how could one explain the pattern of behavior that is displayed in the published hearings on S. 2274. What else was going on at that time?

I picked up a copy of *The Pentagon Papers* (as published by *The New York Times*, Bantam Books, 1971) and soon got an answer. On May 25, 1964 *The Pentagon Papers* records the completion of the "Draft Resolution For Congress on Actions in Southeast Asia." This was the document which subsequently formed the largest part of the Tonkin Gulf Resolution.

May 25, 1964 was also the first day of the hearings on the bill to establish a National Economic Conversion Commission. During the months prior to that day and subsequently, including June 22nd, the second day of hearings on this bill, *The Pentagon Papers* gives an abundant display of escalation and intensification of military and political planning for enlarged military-political operations in Indochina.

It is noteworthy that the two senior officers of the Department of Defense who figured in the Hearings on S. 2274, Assistant Secretary John McNaughton and Deputy Secretary Cyrus Vance, were important contributors to or participants in the war planning development that is reported in *The Pentagon Papers*. (See *The Pentagon Papers*, The Senator Gravel Edition, Beacon Press, 1972, Volume 5, The Name Index, pp. 13 and 19.)

Unseen to the Members of Congress and to the American people the administration in 1964 was preparing for enlarged war operations in Vietnam. Obviously, the principals of the administration, planning for war, opposed the legislation to plan for peace.

The effort by Senator McGovern and his colleagues in 1963 and 1964 to introduce this legislation, and the collateral effort in the House by Bradford Morse, were frustrated not only by the voiced opposition of the chiefs of the Executive Branch, but also by the parallel ploy of establishing a Committee on the Economic Impact of Defense and Disarmament chaired by Gardner Ackley of the Council of Economic Advisers. By establishing this committee only a short time before these hearings were to be begin, President Johnson and his associates could allege that they were taking care of this problem. The fact is that the subsequent Ackley Report merely delivered another shipment of the conventional wisdom that there really was no conversion problem and that such issues, if they arose, could be dealt with by appropriate national fiscal and monetary policies. For the rest, according to the Ackley Report, some frictional adjustments might be involved.

In my judgment, the manipulations practiced by the Executive Branch in squashing a legislative effort to plan for peace constituted a conspiracy against the American people. It is a bitter fact that Senator Warren Magnusen, Chairman of the Commerce Committee, and his associates, thereafter, intended or not, collaborated in this operation by failing to bring this bill out of committee and to the floor of the Senate for an open vote.

In place of a national effort to plan for economic conversion there was established in the Department of Defense in 1963 an Office of Economic Adjustment. This unit has continued to the present day, serving as an arm of the Interagency Committee on Economic Adjustment. The handful of men and women engaged in that office were empowered to do little more than "help(s) the community help itself," as one of its reports is titled. *At no time has this unit attempted or proposed initiative to require advance planning for conversion.* Indeed, when I called on their offices in 1963 and suggested that this be done I was told that the Generals of the Air Force wouldn't like it. They want their people thinking about the requirements of the Air Force and not about doing

something else. And that's where the matter stands to the present day. Hence, assuming even the most conscientious performance of their individual duties, the functioning of this staff group and its overseeing interagency Committee resulted in a condition of no-planning that was highly visible as Secretary of Defense Richardson announced his base closings program with 48,000 job terminations on April 23, 1973, and his unplanned helter-skelter effort to assist the impacted communities.

The conversion of military base operations to civilian uses is one part, and an important one, of a larger issue of conversion of the economy as a whole to civilian work. In the larger perspective what is required is appropriate planning for capital investment that will utilize the talents of Americans for economically productive purposes. During 1965 I prepared a general statement on economic conversion which summarized many of these considerations.

There is reason to expect that predictable conditions will bring renewed and recurring pressure for coping with problems of conversion of military bases to civilian work. First, it is likely that the international arms race will be restricted. Second, it is reasonable to expect that continuing and intensifying economic pressures will bear on the government of the United States, requiring it to limit its public expenditures. Owing to the fact that the budget of the Department of Defense represents the lion's share of the federal budget, it is the natural place to look for money savings. Third, many people are becoming aware of one of the peculiar features of the military-industry and the military base system—namely, the way it serves to draw wealth from certain parts of the country and deposit it in other parts.

Based upon an Analysis of Federal Revenues and Expenditures for States and Regions prepared for the House Committee on Governmental Operations, Professor James R. Anderson has diagnosed "The Balance of Military Payments Among States and Regions." The Congressional document is U.S. Congress, House of Representatives, 90th Congress, 2nd Session, 1968, Committee on Government Operations, *Federal Revenues and Expenditure Estimates for States and Regions, Fiscal Years 1965-67*. Anderson's paper appeared in S. Melman, editor, *The War Economy of the United States*, St. Martin's Press, 1971.

The annual data for the last available years, 1965-1967, shows that certain states (New York, New Jersey, Pennsylvania, Ohio, Illinois, Michigan) paid out to the federal government in personal and business taxes many billions of dollars more each year than was received back in all forms from the federal government in those states. By contrast, other states (California, Texas, Virginia) each received from the federal government more than \$1 billion each year in excess of the taxes paid by individuals and firms from those states. What is reflected here is a pattern of interstate exploitation on behalf of the operation of the military economy. As the economic and the fiscal problems of many states, and especially large cities, intensify, these military economy relationships will be examined with an increasingly critical eye. It is to be expected that the governors and mayors of states and cities that have long been strongly disadvantaged owing to the operation of the military economy will bring ever-greater pressure to bear for budget reductions in that realm.

Whenever the Members of Congress feel disposed to change their role from being special sponsors, guardians and semiadministrators of military economy, to a concern for the economic well-being of their constituents as a whole and of this country as a whole, they have open to them a series of workable options:

First, to provide by law for encouraging and requiring advance planning for conversion to civilian activity of military base facilities and their work forces;

Second, to require that this planning be done on a cooperative basis with representatives of the local community and that this planning be based upon professionally competent economic surveys and thoughtfully conceived planning options, including capital funds required and timetables for conversion, alternative possible capital sources and the employment consequences of particular planning options. (An especially thoughtful discussion is in B. Stein, *The Community Context of Economic Conversion*, Center for Community Economic Development, Cambridge, 1972.)

Third, to provide cushioning for individuals and families who cannot be accounted for in conversion planning in the same place, the Congress could enact a Defense Employees' Bill of Rights. Such legislation could include provisions for (a) minimum income during a year of transition, using the public welfare income of the state as a minimum base; (b) provision for a mora-

torium on mortgage and other credit payments; (c) provision for costs of education required for occupational retraining; (d) provision for family relocation to another community, where required. (The committee considering these matters should take into account the conventional pattern among Americans with respect to individual and family mobility.

It is reasonable to assume that there is a large and growing body of opinion in the country that the United States can ill-afford a sustained extravaganza of military base and allied spending that is either designed to serve ill-conceived military aims, or to serve as a convert welfare system, or as an extravagant "make-work" program that yields no productive economic return to the society.

Experience with conversion of military bases and with problems of area economic development indicates that a great array of exciting, constructive possibilities can be opened up throughout the country by prudent planning and responsibility on a local basis.

The options range from similar functional use of certain bases—like the use of a military air base as a civilian airport. But the range of possibilities extends on to the exciting prospects of integrated economic planning for entire new communities and industrial areas in regions where other conditions make that appropriate and where the sheer size of the military base area lends itself to such alternative use. The Fort Dix, New Jersey area is a case in point. With its 65 square miles on the northeast seaboard, thoughtfully planning could very well make possible an entire new town that could be a model for what this country should be trying to do, moving into the next century.

[The following exhibits which were attached to the prepared statement are retained in the files of the subcommittee.]

Exhibit A.—News Release, Office of Assistant Secretary of Defense (Public Affairs), Secretary of Defense Elliot L. Richardson Announces 274 Actions Affecting Military Installations, April 17, 1973.

Exhibit B.—S. Melman, *Planning for Conversion of Military-Industrial and Military Base Facilities*, for U.S. Department of Commerce, Economic Development Administration, Office of Technical Assistance, August, 1972.

Exhibit C.—S. Melman, "Utilization of the N.Y. Naval Shipyard Area for an Ultra-Modern Economically Viable Shipbuilding Enterprise," a proposal, 1964.

Exhibit D.—S. Melman, "Economic Conversion," 1965.

Exhibit E.—U.S. Bureau of the Census, *Statistical Abstract of the U.S., 1973*, p. 36, Table No. 44.

Exhibit F.—Economic Adjustment Assistance 'Helps the Community Help Itself', January 1969 thru January 1972.

Exhibit G.—Remarks by Secretary of Defense Elliot L. Richardson to News Media at the Pentagon, Monday, April 23, 1973.

Mr. WALDIE. The Chair nows calls Mr. Clewlow, Acting Secretary of Defense for Manpower and Reserve Affairs, who is accompanied by Mr. William Sheehan, Director of Economic Development of the Department of Defense.

STATEMENT OF CARL W. CLEWLOW, ACTING SECRETARY OF DEFENSE FOR MANPOWER AND RESERVE AFFAIRS, ACCOMPANIED BY WILLIAM SHEEHAN, DIRECTOR OF ECONOMIC ADJUSTMENT; DR. WILLIAM VALDES, STAFF DIRECTOR, OFFICE OF CIVILIAN PERSONNEL POLICY, OFFICE OF THE ASSISTANT SECRETARY OF DEFENSE FOR MANPOWER AND RESERVE AFFAIRS; ALLAN S. KERR, DIRECTOR, BASE REQUIREMENTS, OFFICE OF THE DEPUTY ASSISTANT SECRETARY, INSTALLATIONS AND HOUSING; AND ROBERT WORKMAN, DIRECTOR, STAFFING POLICIES AND PROGRAMS, ASSISTANT SECRETARY OF DEFENSE FOR MANPOWER AND RESERVE AFFAIRS

Mr. CLEWLOW. I am Carl Clewlow, the Acting Assistant Secretary of Defense.

I have on my right Dr. William Valdes, who is the staff director of the Office of Civilian Personnel Policy.

I have on my left Mr. William Sheehan, who is the Director of the Office of Economic Adjustment.

I have also Mr. Allan Kerr and Mr. Robert Workman with me, who had been asked to answer additional questions.

Mr. Chairman, Mr. Hogan, gentlemen, I appreciate this opportunity to explain the steps being taken by the Department of Defense to meet our obligation of Federal employees who are adversely affected by base realignment actions and to assist in relieving the economic impact on affected communities.

We have the two parts of this, the one personnel, the other the impact on communities.

We share the concern of the subcommittee over the effect of major reductions, closures and transfers on our career civilian workforce.

Because of the frequent turbulence which affects our civilian employment, we have developed over the past 9 years a comprehensive program aimed at easing the adverse effects of civilian manpower adjustments on individual employees.

This is our program for stability of civilian employment, which incorporates a combination of policies and programs, including a computerized priority placement program to match the skills of displaced employees with vacancies occurring anywhere in the Department of Defense.

Mr. WALDIE. I will be interrupting occasionally. It takes me a while to understand your bureaucratese.

The phrase: The adverse effects of civilian manpower adjustments—that means a reduction in force, doesn't it?

Mr. CLEWLOW. It could be a reduction in force. It could be the transfer of a function in one location to another. It could be a combination where two headquarters are combined into a single one.

There are a wide variety of things that may be considered adverse

Mr. WALDIE. Affecting only your civilian work force?

Mr. CLEWLOW. We are talking about the civilian work force, yes, sir.

Mr. WALDIE. Please continue.

Mr. CLEWLOW. Our program of stability of civilian employment includes a computerized priority placement program which is designed generally to match the skills of displaced employees with vacancies which occur elsewhere in the Department of Defense.

Mr. WALDIE. How long has that been in existence?

Mr. CLEWLOW. That has been in existence approximately 9 years, sir.

Mr. WALDIE. How many people are employed in that program?

Mr. CLEWLOW. I would have to supply that for the record.

Mr. WALDIE. Just a guess?

Mr. CLEWLOW. It is a fairly small number. I would guess 11 or 12 people are employed in that program, sir.

Mr. WALDIE. That is nationwide?

Mr. CLEWLOW. That's correct.

Mr. WALDIE. Does that include clerks and secretaries?

Mr. CLEWLOW. This would include clerks and secretaries.

Mr. WALDIE. Has there been any increase with reductions in force that have been taking place in recent months?

Mr. CLEWLOW. Any increase in the size of that staff?

Mr. WALDIE. Yes.

Mr. CLEWLOW. We have a collateral organization which works on an informal basis and consists of a zone coordinator in each of four zones throughout the United States.

Mr. WALDIE. Has there been an increase in the staff working in the priority placement program?

Mr. CLEWLOW. It is essentially the same, sir.

Mr. WALDIE. Has there been any reduction in that staff?

Mr. CLEWLOW. Not to my knowledge.

Mr. WALDIE. Will you provide the committee with the answers to that?

Mr. CLEWLOW. Yes, sir.

[The information follows:]

The staff of the Department of Defense Central Referral Activity in Dayton, Ohio consists of thirteen persons. The staff operates the computer man-job match system and has not been increased due to the recent base closure announcement because the computer facility has the capacity to handle additional registrations without more staff. The computer products of the Central Referral Activity go to the placement staffs of Defense activities throughout the country. These installation placement staffs are devoting a greater proportion of their time to the placement of employees affected by reductions in force as are the personnel staffs at the activities being closed or reduced.

Mr. WALDIE. Your information is that it has remained the same size though there has been a great amount of work assigned to it if it is in fact matching the skills of displaced employees.

Mr. CLEWLOW. This is a continuous kind of program. This is not the only reduction in force that has occurred in the Department of Defense.

Mr. WALDIE. It is a major reduction in force, and I assume the same staff that has been in operation over the years of high employment would have to be augmented to hit the years of low employment, would it not?

Mr. CLEWLOW. I would like to ask Mr. Valdes to address himself to that.

Mr. VALDES. Mr. Chairman, in addition to the staff which the Secretary referred to which operates our computer facility in Dayton, Ohio, on a nationwide basis and which has the capacity for absorbing large numbers of registrations and referrals, we have throughout the country people who have part-time responsibilities. We call them regional coordinators.

Mr. WALDIE. Are they Department of Defense people?

Mr. VALDES. Yes; we have four people who are zone placement coordinators and 43 who are regional placement coordinators.

Mr. WALDIE. Are they civilian employees?

Mr. VALDES. Yes; they are civilian employees. As the activity in the out-placement function increases, their time is devoted increasingly to that function. They have responsibility for hiring and placing people. So the basic point that I would like to make is that there is a great deal of additional manpower and time that is devoted to placement of people during periods of reduction in force. It is built into the system.

Mr. WALDIE. I presume you can give me an objective report as to how many people have been placed as a result of the computerized operation in the priority placement program in the last 12 months?

Mr. VALDES. Yes, sir.

Mr. WALDIE. Any figure that might come to mind.

Mr. VALDES. I think I could give you for the past 5 months.

Mr. WALDIE. That would be fine. These were directly attributable to this function?

Mr. VALDES. Yes.

From January 1 through May 30, 1973, through this particular program, there were 1,468 placements. The number has been steadily increasing each month, starting with 95 in January, 105 in February, 272 in March, 405 in April, 591 in May. So the activity is stepping up and placements are sharply increasing.

Mr. WALDIE. For further clarification, tell me how that works. You have a fellow who is in Rhode Island who has been notified that the base is going to be cleared and then he says "I would like to remain employed by the Federal Government." Do the names of all the people in Rhode Island that are being displaced go into the computer somewhere along the line?

Mr. VALDES. Yes, sir, if they so desire.

Mr. WALDIE. They have to indicate a desire?

Mr. VALDES. Yes, sir. What is done is persons are registered for the skills for which they are qualified and for the locations at which they are willing to work. These are the two basic factors. The area of registration is normally for the zone in which the registrant is currently employed.

We have divided the country into four zones. We will expand the area of registration beyond a zone if it is necessary, as it very well may be with regard to people in Rhode Island.

These registrations then go into this central computer referral activity that I referred to and what the computer does is to send out what have become known as "stopper lists" to all the activities for which people have registered.

This then tells that activity there are people with a specific skill

at a specific grade that are available for placement, and it further tells them that they are not to hire from any other source.

The activity then, when it gets a vacancy in one of those skills that it has to fill, submits a requisition to the central referral activity in Dayton. It receives back a computer printout of the skills and personal data concerning the individuals who are available for placement.

The agency then contacts the activity that has registered the employee for replacement and it effects the placement.

If the placement involves a geographical move, the employee, his family, and household effects are moved at government expense to the new location.

That, in essence, is the way the system operates, Mr. Chairman.

Mr. WALDIE. Thank you. Please proceed.

Mr. CLEWLOW. At the time that the Secretary of Defense announced the major base realignments on April 17, 1973, we immediately placed restrictions on the filling of vacancies throughout the Department.

Our main purpose was to stockpile these vacancies in order to provide a basis whereby these surplus employees could be placed through this priority placement program just described by Dr. Valdes.

In addition, the Secretary of Defense asked the Secretaries of other Executive Departments and the heads of agencies to provide assistance in the placement of Defense employees.

While this occurred just a few days ago, since May 1, non-Department of Defense agencies have given us 44 vacancies requests—this is a start, it is not very many—and employees have been referred for placement consideration.

We are also working closely with the Department of Labor in order to obtain maximum assistance of State employment services offices in providing placement assistance in the private sector.

In some instances, like the Boston Shipyard, for example, the State employment service has opened up offices right on the shipyard premises. This provides employees counseling and placement assistance from their own State employment service.

Additionally, we are seeking the assistance of private industry employers by publicizing to them the types of skills that we have available at activities which are being closed.

Interviewing facilities are also being made available on bases for industry recruiters.

Under our program for stability of civilian employment all career and career-conditional employees who have received an adverse action are given maximum assistance in continuing their careers as employees of the Federal Government through reassignment on a priority basis for these other positions in the Department of Defense.

Mr. Valdes has just described that, so I will not repeat what he has just mentioned.

I would make one point, however. If the new job to which a person goes is at a lower level, the employee's pay is saved to the maximum extent which is permitted by law.

Employees are registered also in the Civil Service Commission's

displaced employee program, and through this means are given priority consideration for vacancies in other Federal agencies.

As Mr. Valdes mentioned, employees whose jobs are transferred to other locations are given the opportunity to transfer with their jobs, including the costs of transporting them, their families and households to new locations.

Some of the costs that would be paid include moving and transportation of household effects, the cost of buying and selling a home and the cost of a house-hunting trip to the new location as well as temporary quarters subsistence expense.

The degree of success which can be achieved in relocating employees to other positions depends on a wide variety of factors, principally those of employee mobility and the skill-mix of the work force affected as well as the work force required in the future.

So it really isn't possible to predict the exact numbers of employees who will be placed in other positions.

However, based upon our past experience, as it relates to employees whose jobs are affected by major closures and consolidations, we have found that the majority of employees desiring to continue in employment can be placed in other jobs.

Sample reports covering major closures and consolidations since the stability program went into effect in January 1964 indicate that about 61 percent of our displaced employees have been placed in other Federal employment with about 58 percent of them being placed in other positions within the Defense Department.

It has also been our experience that many eligible employees retire during periods of consolidation and retrenchment.

At the two Naval shipyards scheduled for closure, for example, we found that about 1,200 employees plan to retire at the San Francisco Naval Shipyard at Hunters Point and about 2,000 are expected to retire at the Boston Naval Shipyard.

We anticipate that the cost of living increase of 6.1 percent which will be given to annuitants who are on the annuity rolls by July 1, 1973 will encourage substantial numbers of employees eligible to retire to do so by that date in order to get the benefit of the increase in their annuities.

We know the last time such an increase in annuities occurred, which was June 30, 1972, about 30,000 Defense employees elected to retire in that month.

There is a piece of legislation, H.R. 6077, which was just enacted by the Congress—we understand that the Senate acted on it yesterday—which would permit employees who meet one of the involuntary retirement options, that is, age 50 or 20 years of service or 25 years of service at any age, to elect to retire when an agency is undergoing a major reduction—this legislation undoubtedly will be most helpful in easing the effects of our pending reductions if it receives rapid Presidential approval.

One of the principal effects of this pending legislation will be to permit older employees who may be higher on a reduction-in-force retention register, and therefore not vulnerable to separation, to elect retirement, thereby saving another employee—usually a younger employee with less service and greater family obligations—nearer the bottom of the register from being separated.

We also expect this legislation will provide a further escape valve by creating additional vacancies in which displaced employees may be replaced.

With respect to relieving the economic impact of base realignments on affected communities, it is the principal objective of the President's Economic Adjustment Committee, of which the Secretary of Defense is the chairman, to help communities offset losses in jobs and community income attributable to base realignments, cutbacks in Defense contracts and reductions in force.

This committee is comprised of representatives of 17 Federal departments and agencies which have programs and/or resources to assist impacted communities.

In this case helping means not only assisting the employees adversely affected, but assisting in the development of a local capability as they arise in the future.

for economic planning and for resolution of local economic problems

The Committee works closely with local leaders, but must be invited by these leaders to participate. It never thrusts itself upon a community; rather, it helps these communities to help themselves.

A broadly representative and effective local organization is indispensable in resolving immediate and long-range problems. An existing organization may be satisfactory. More often, however, it is necessary to organize one.

In any event, local leaders are responsible for establishing an organization that can work with the Committee and follow through at the local level on their development efforts.

Interest and concern of the Committee are broader than finding suitable uses for the base facilities and immediate employment for those who lose their jobs.

It is also interested in the longrun well-being of the entire community so as to minimize the possibility that critical unemployment will arise in the future.

Mr. WALDIE. Let me interrupt you a moment here. I am trying to understand this.

As to the President's economic adjustment committee, the Secretary of Defense is chairman, but I am sure the Secretary of Defense doesn't preside.

Mr. CLEWLOW. Secretary Laird presided at every one of the meetings which I attended, sir. He personally came, presided and stayed until they were over, as did, on many occasions, Mr. Stein, from the Council of Economic Advisors and the like.

Mr. WALDIE. How often does that committee meet?

Mr. SHEEHAN. It meets quarterly, Mr. Chairman.

Mr. WALDIE. And the discussion of the committee involves what, during its quarterly meeting?

Mr. SHEEHAN. Quarterly meetings cover the full gamut of community adjustment programs in all current or active economic adjustment situations.

Mr. WALDIE. For example, when was the last meeting of the committee?

Mr. SHEEHAN. The last meeting was on April 23, which Secretary Richardson chaired.

Mr. WALDIE. When was the announcement?

Mr. SHEEHAN. April 17.

Mr. WALDIE. So, I presume that the discussion then involved all the cities and communities who were adversely affected by the base closures?

Mr. SHEEHAN. That is correct.

Mr. WALDIE. How long did that meeting last?

Mr. SHEEHAN. It lasted approximately 2 or 2½ hours.

Mr. WALDIE. Did you come up with plans?

Mr. SHEEHAN. Yes, that is correct.

Mr. WALDIE. Are those plans available for examination by this committee?

Mr. SHEEHAN. The plan is available. The discussion covered four major subjects:

(1) The organizational actions required in each of the impacted, seriously impacted communities, including Rhode Island;

(2) The full gamut of planning actions essential to move a community from a serious unemployment situation to one of reuse of these facilities;

(3) The specific development actions that would be in order in terms of the industrial, educational, recreational and other uses.

Mr. WALDIE. Would you provide the committee, please, with a copy of that plan that was adopted?

Mr. SHEEHAN. Yes, we can.

[The information referred to is retained in the subcommittee files:]

Mr. WALDIE. The statement makes a reference to a staff that I presume is available to a community which is having difficulty. I gather there is a staff of the President's Economic Adjustment Committee that can be assigned to that community for assistance. Of what does that staff consist?

Mr. SHEEHAN. The staff consists of 33 full-time individuals.

Mr. WALDIE. Does that include secretarial staff?

Mr. SHEEHAN. That includes secretarial staff.

Mr. WALDIE. How many of those 33 are secretarial?

Mr. SHEEHAN. I can provide that information, but I believe it is somewhere in the order of seven.

[The information follows:]

The staff consists of 33 persons, of which 22 are professional and 11 are secretarial. Eighteen of these professionals and 7 of the secretaries are based in Washington. Four of the professionals and 4 of the secretaries are being based in four regions of the country (headquarters in Los Angeles, California; Kansas City, Kansas; Atlanta, Georgia; and Boston, Massachusetts).

Mr. WALDIE. The rest are consultants, I presume.

Mr. SHEEHAN. The rest are?

Mr. WALDIE. Are consultants?

Mr. SHEEHAN. The rest are full-time civil service employees, professionals in the field.

Mr. WALDIE. Are they sent on the road? For example, if the community of Long Beach says we are adversely impacted by the closure of a shipyard in our community, and we need some help, send out some staff people to put together a plan for us, do you do that?

Mr. SHEEHAN. Yes, we do that. In fact, not only do we have the full-time staff here in Washington—

Mr. WALDIE. Well, is the 33 the full-time staff in Washington?

Mr. SHEEHAN. No; they aren't.

Mr. WALDIE. Are any of them?

Mr. SHEEHAN. We have regional people. We have a man in California.

Mr. WALDIE. Excuse me, so I am not confused, of the 33, how many of them are full-time staff in Washington?

Mr. SHEEHAN. Approximately 18.

Mr. WALDIE. How many of them are in the region?

Mr. SHEEHAN. Four are in the region.

Mr. WALDIE. How many of them are elsewhere?

Mr. SHEEHAN. Including your secretarial staff, that is it.

Mr. WALDIE. So, there are four people in the four regions, one in each region?

Mr. SHEEHAN. That is correct.

Mr. WALDIE. And if Long Beach called and said to the regional office, "I need some help, we have got problems here," there would be a person to pick up the telephone call, a person who is manning the regional office. Then they say, "Send out some staff to help us develop a plan." Where would you get the people to send out the staff?

Mr. SHEEHAN. The method by which we operate, and I am sure we are going to get into that very shortly in the statement, the request is made from the community directly either to the Secretary of Defense or to myself, the staff director of the committee. We then alert our regional person, in this case, Mr. Ellington in California, to service the request of Long Beach. He, in turn, visits the community to ascertain precisely what is required. Then it is incumbent on Mr. Ellington, in concert with our staff here in Washington, to put together the kind of a Federal interagency team that can fully address these questions.

Mr. WALDIE. Now, in Mr. Ellington's region there are how many States?

Mr. SHEEHAN. Three States: California, Oregon, and Washington. He covers the west coast.

Mr. WALDIE. I suppose every community that is adversely affected by a base closure would contact Mr. Ellington?

Mr. SHEEHAN. In that region.

But there is one very important additional step. We name a project manager for each location to serve the needs of a Stockton, a San Francisco, a Long Beach, or an Imperial Beach.

Mr. WALDIE. Is that from one of the cooperating agencies?

Mr. SHEEHAN. No; that is from my immediate staff.

Mr. WALDIE. In Washington?

Mr. SHEEHAN. In Washington.

Mr. WALDIE. You send them out?

Mr. SHEEHAN. I send them out.

Mr. WALDIE. So, the 18 in Washington are really available for assignment throughout the country?

Mr. SHEEHAN. They are assigned specific project responsibility.

Mr. WALDIE. I presume they are on the road practically always now?

Mr. SHEEHAN. That is correct. They are very heavily on the road.

Mr. WALDIE. Will you provide, so I can get a pattern of what you are doing—you are going to provide me with the plan which you adopted 2 days after the announcement of the base closures—would you now provide me with the specific plan adopted for, well, let's take Hunters Point in San Francisco? I am sure Mayor Alioto got ahold of you and said, "God, we need some help here. They are closing down a major base in San Francisco." Is that correct?

Mr. SHEEHAN. That is correct.

Mr. WALDIE. Have you prepared that plan for Hunters Point?

Mr. SHEEHAN. The responsibility for the preparation of the plan rests jointly with the city of San Francisco and the interagency team. This is, in effect, a cooperative effort, where we can provide the benefits of our national experience over some 12 years in handling this problem for the Department of Defense in concert with Mayor Alioto's economic development agency in the city and Governor Reagan's department of commerce in the State of California.

The plan requires an effective reuse effort. Involved here are not only technical, engineering aspects, but other considerations.

Mr. WALDIE. But is there a plan for Hunters Point?

Mr. SHEEHAN. No; there is not at this point.

Mr. WALDIE. How long have you been in the process of developing a plan for Hunters Point?

Mr. SHEEHAN. Congressman, maybe I didn't make myself clear on this point. The responsibility for the preparation of the plan is not purely a responsibility of the Federal Government. It is a joint responsibility. We provide the community with the necessary planning money.

Mr. WALDIE. How much planning money have you provided for Hunters Point?

Mr. SHEEHAN. There was an initial allocation, I believe, of some \$30,000 and this has already been made available to the city of San Francisco.

Mr. WALDIE. Did you provide them any staff?

Mr. SHEEHAN. No; I understood from Mayor Alioto he had his own professional staff, and I understand they will undertake the planning effort.

Mr. WALDIE. Your role at the Hunters Point reconversion is to give them \$30,000 for planning and to stand ready in case they need help?

Mr. SHEEHAN. That is correct.

Mr. WALDIE. You are not taking any active role at all in the planning itself?

Mr. SHEEHAN. Yes; we intend to take a very active role. For example, we have some very important ongoing Federal interests that exist in the Hunters Point situation. So, this planning within the Department of Defense will go forward concurrently with the planning actions that are being taken at the city level.

Mr. WALDIE. Is there any base closure anywhere in the country where you have, in fact, had a plan developed in which you have

participated and the local community has come up with a plan that is ready for scrutiny?

Mr. SHEEHAN. Yes.

Mr. WALDIE. What is the community?

Mr. SHEEHAN. There have been many communities. Roswell, N. Mex., for example.

Mr. WALDIE. Give me one in California.

Mr. SHEEHAN. One in California? Oxnard Air Force Base in Ventura County.

Mr. WALDIE. Would you provide me with the Oxnard plan and would you tell me how much you participated, your agency participated in the formulation of that plan, how much the local people did?

Mr. SHEEHAN. Very good. We can provide that for the record.

Mr. WALDIE. When it started and when it was concluded. It is all concluded now, as I understand. Do I understand the recommendation of such a plan is to provide some substitute other than base employment or military employment for that community?

Mr. SHEEHAN. Yes; the plan goes far beyond the immediate confines of the base. We are going to get into this in our statement here.

Mr. WALDIE. I understand. Just bear with our committee's style, which is to go into the subject as the mood presents it.

If you will give me the plans that the President's committee adopted and a copy of the Oxnard plan, I think that will give me a picture at least of how you function and what you do.

[The information is retained in the files of the subcommittee.]

Mr. WALDIE. Mr. Hogan, do you have questions?

Mr. HOGAN. No; thank you, Mr. Chairman.

Mr. WALDIE. I would like that Oxnard plan just as soon as possible, like tomorrow, if possible.

Mr. SHEEHAN. Very good, sir.

Mr. CLEWLOW. As Mr. Sheehan has mentioned, the committee assists local groups to prepare overall economic development programs or update existing ones. This type of help continues until the local organizations feel that they can proceed on their own.

To perform effectively, the committee must have basic knowledge of the communities and their people. This is provided in each case by field reconnaissance of the community—including interviewing—by the committee's professional staff working with appropriate representatives of the State and other Federal agencies.

Problems of the area and possible solutions are discussed with community leaders, and a factual background report is prepared for the committee.

Based on the staff's survey report, the committee has considerable information in hand about the community and its people by the time it visits them, usually from days to several weeks after the reconnaissance survey.

Mr. WALDIE. May I interrupt a moment again.

It just occurred to me, on that Hunters Point grant of \$30,000, could Mayor Alioto have come before you long before any ideas were proposed to close that base and say, "Gentlemen, somewhere along the line, you may decide to close Hunters Point, and we are awfully concerned about the impact of such a decision on our com-

munity and we want a plan for reconversion," could he have come before you 2 years ago, and said, "Therefore, please provide me with \$30,000 that I might plan reconversion for this community"?

Mr. SHEEHAN. I doubt whether he could have. We have had this request presented to us previously, and, of course, not realizing that the facility was available, we could not offer any major money for planning a re-use of a property which might not be available.

Mr. WALDIE. So, your function in planning is after the fact? There is no way of planning to ease a burden that may or may not occur? The burden must occur before you assist in easing the burden by planning?

Mr. SHEEHAN. Not necessarily, Congressman. In terms of off-base property—when we examine a community's economic base and we see a disproportionate amount of its work force dependent on the defense dollar, we encourage these communities to do the necessary diversification planning that is essential in broadening their work force and their economic base.

Mr. WALDIE. But you don't do that, because you don't examine the community until there has been a base closure?

Mr. SHEEHAN. This is only in the base closure situation. That is one mission of our office.

Mr. WALDIE. I understand that.

Mr. HOGAN. Could I ask a question at this point?

Mr. WALDIE. That seems to be a desirable mission, but I am curious as to why there is not planning before base closures.

Mr. Hogan?

Mr. HOGAN. I think it is safe to assume that the adverse effect of the economy is not the paramount consideration in closing a base. The decision is made that the base should be closed for another purpose, and then the program goes forward to try and minimize the adverse impact on the community that already has been chosen, isn't that correct? I am sure it is not the case that the Department of Defense says, "This base should be closed," and then they say, "Well, that would have a disastrous effect on the economy there, so we will keep it open and we will close a base over here that we might need more but it won't have as much adverse effect."

Obviously, the needs of the military in the operation of the bases has to be of paramount consideration. So, would we be safe in assuming that much of your planning for these dislocations is planning techniques that you will apply when the disruption occurs, to develop a pattern of activity without really knowing what bases are going to be closed?

In other words, is it a modus of operation that when particular areas are going to be closed, have bases closed, then this technology that is developed in isolation from a specific case is applied to the individual situation when and where it occurs?

Is that an assessment of what your planning operation is?

Mr. SHEEHAN. Congressman, I think it would be helpful to state very clearly our three functions.

First, this committee is involved in assisting communities suffering from the impact of base closures.

Second, it works with communities that are affected by defense contract terminations. These are non-Federal property situations.

Third, the committee becomes involved when personnel reductions occur such as at our ammunition plants and where the work force is simply drawn down and the personnel are reassigned, transferred or reduced.

These are the three situations that our committee is involved in. In this regard, we cover the full scope of the planning assistance required by each of the individual communities in each of these three categories.

Mr. HOGAN. But it is primarily the responsibility of the State and the community, and what you are doing is to assist them in their own efforts?

Mr. SHEEHAN. Precisely.

Mr. HOGAN. Perhaps they are not fulfilling their responsibilities to the citizenry, as the previous speaker indicated, by having an economy which is so overwhelmingly dependent upon a defense establishment facility. Maybe before they ever get adversely affected, they ought to weigh the possible consequences of a closing of a military base and a more balanced economy in their area?

Mr. SHEEHAN. Yes.

Mr. HOGAN. Thank you.

Mr. WALDIE. I am advised for budget purposes, you have a vulnerability also of defense installations that might be closed. Is that right?

Mr. SHEEHAN. I am not aware of any such list.

Mr. KERR. The list to which you refer, Mr. Chairman, I suspect might be called a Sears Roebuck catalogue or a wishbook or a Christmas present list. We are always looking at every base, and certainly OMB, the Office of Management and Budget, has some very strong ideas about which military installations should be reviewed, which should be looked at, which should be, if you will, closed.

The decision of closing a base or reducing it substantially rests with the Secretary of Defense. While we welcome ideas—we get them from private citizens saying that base so-and-so should be closed—the commanding officer plays golf all day, the real truth of the matter is a suspect list, and there is one, and several people carry them around in their pockets, including OMB, has no real validity.

Mr. WALDIE. Who prepares it?

Mr. KERR. OMB has the only one that I know of. In my mind, I carry some, you know.

Mr. WALDIE. The reason I am asking that, it may not have any validity, but is it possible to prepare one that does have validity so you don't go through a foolish exercise that we apparently do in Government?

Is it possible that your budget ideas are predicated upon this suspect list which is foolish?

Mr. KERR. No, Mr. Chairman, that is not really correct.

Mr. WALDIE. What is your budget predicated upon?

Isn't it predicated on the assumption you are going to have something to do next year?

Mr. KERR. Yes.

Mr. WALDIE. And that assumption that you are going to do something next year is predicated on the fact that you are going to have some base closures next year?

Mr. KERR. No, sir, only those which have been announced.

Mr. WALDIE. If none have been announced, do you get no budget for the ensuing year?

Mr. KERR. No; we get the budget for the bases that we operate, sir.

Mr. WALDIE. I am talking about this group who is helping the communities.

Mr. KERR. I am not an expert in that field. I was thinking of the total defense budget.

Mr. WALDIE. Do you folks have any idea on which your budget is based? Do you assume some bases are going to be closed every year so that you can continue in existence?

Mr. SHEEHAN. Congressman, as far as the requirements for the economic adjustment effort, to meet the demands of those three acts, the Secretary has assured me that I have access to whatever resources are required to carry out my mission or these three missions, in terms of personnel, in terms of cooperation from the 17 agencies that are participating with us, including the personnel, full-time personnel from the military departments who have a vital role and function with us in this endeavor.

Mr. WALDIE. In short, you don't make any assumptions that any bases are going to be closed on which your particular budget is predicated? The Secretary just said, if anything happens we will provide you with all the resources you need and don't worry about projecting what you are going to need?

Mr. SHEEHAN. That is right. Actually, we go through a planning effort.

Mr. WALDIE. You submit to the Secretary what you think you are going to need?

Mr. SHEEHAN. Yes.

Mr. WALDIE. And that is based upon what, an assumption? Do you make any assumptions when you submit to the Secretary what you think you are going to need?

Mr. SHEEHAN. Yes; in the 70 or 80 locations where we are currently involved, we have an excellent perspective as to what is required in terms of personnel, programs, and funds in order to adjust these communities.

Mr. WALDIE. You mean those are the locations within which base closures have occurred.

Mr. SHEEHAN. That is right.

Mr. WALDIE. What I am trying to drive at is whether the planning function that you engage in really varies so greatly from community to community. You have to plan specifically for each community, don't you?

Mr. SHEEHAN. Yes; that is correct.

Mr. WALDIE. You can't really plan in advance for Hunters Point until Hunters Point closes down; you have to plan specifically for Hunters Point, don't you?

Mr. SHEEHAN. That is correct.

Mr. WALDIE. You see the gap that I see. I am not criticizing the function that you perform, I am criticizing the timing of the performance of that function. It would have been so much easier in the transition for the Hunters Point people had you planned for the closing of Hunters Point 3 years ago and that plan was all sitting on the shelf ready to go into operation.

Then, when the Secretary announced Hunters Point was to be closed, there would have been the plan. The adverse consequences of this decision would have been alleviated and maybe nonexistent because we had thought this out.

The way we go about it, we close Hunters Point, then we are going to send a team in to plan about what we are going to do about Hunters Point. That seems to me to be an enormous failing. It relates to what professor Melman was talking about. Our planning goes on too late, and even then there is the question as to whether it is adequate. Clearly it is done too late.

It should go on before the fact, not subsequent to the fact. Would you not agree? That is why I am going into this question of the suspect list. If there is some indication, no matter how wild the indication is, why not develop plans for what happens to those communities?

Mr. KERR. I think two things bear on this, Mr. Chairman, if I may. I would like to reiterate I am not an expert in the field of economic adjustment. One, if we were to have walked into Hunters Point 5 years ago we would have scared them half to death. It might not have come to fruition for a variety of reasons. That is one point.

Two, this is an area in which I am not an expert, any planning other than a *modus operandi* done at that time could probably be invalid in 5 years.

Mr. WALDIE. Assume annually.

Mr. KERR. This would require a tremendous effort on our part.

Mr. WALDIE. It should require a tremendous effort.

Mr. HOGAN. May I suggest a possible No. 3 to that, since we don't live in the Utopian world that Mr. Melman envisions for us, the entire congressional delegation would bring unbearable pressure to bear to try to reverse that suspect list to eliminate their own constituencies from that list.

Mr. KERR. Absolutely.

Mr. WALDIE. If that is true, what Professor Melman said is correct, we will never have the opportunity to plan for conversion in this country if those are the forces at work. Mr. Kerr, you say it will alarm the people in the local community to find someone planning in advance. Not only would it alarm them, but Mr. Hogan says affected Congressmen would all try to stop it. If that is correct, we should stop planning for reconversion. That seems to me not to be an answer.

Mr. Hogan?

Mr. HOGAN. Including, Mr. Chairman, those that demagogue the most vociferously about the reduction in the military budget. They are the ones who scream the loudest when their own constituents are affected by the fallout of this. It is a part of the political system of our democracy.

Mr. WALDIE. It could very well be. Your suggestion that hypocrisy ought to be resisted is very interesting.

Mr. SHEEHAN. I have many arguments with Mr. Melman over this question and I like the word "utopian". This would be wonderful if it were possible. I have so many considerations that enter into this. Let us take a SAC base, planning a conversion of a SAC facility.

Those of us who have had to deal with the realities of an adjustment effort in these SAC locations at Roswell and elsewhere throughout the country cannot get the engineers and planners into this facility for security reasons. This is the thing that many people in academe forget.

There are some very specific and hard security factors that enter into the development of a comprehensive review plan. Mr. Kerr's point, not to be redundant, also bears heavily on this. A 5-year-old plan on Hunters Point might identify four or five uses applicable at the time but not appropriate today.

Mr. WALDIE. Wait a minute. Let's stop at that point and let me throw this out. Your suggestion is that you can't plan 5 years in advance because what you plan for today will be outmoded 5 years in advance. Does the Pentagon not plan for war 5 years in advance because what they are planning today will be outmoded 5 years from not?

Mr. KERR. We do.

Mr. WALDIE. And you update your plans?

Mr. KERR. Yes.

Mr. WALDIE. That is no excuse for not planning. There may be other excuses for not planning for reconversion, but it is not because your plan will be outmoded in the future.

Mr. KERR. The point is simply, I think, Mr. Chairman, it would have to be constantly updated.

Mr. WALDIE. Of course, it would. Any plan has to be updated. It would be foolish to plan today and say that is the answer and 20 years from now pull out the plan and say that is what goes. I gather from what you folks are telling me, you folks who have the responsibility to ease the impact on these communities, there is no way of doing it until the impact occurs.

Then you will seek to ease that impact. You cannot plan in advance to help those communities.

Mr. SHEEHAN. You definitely can plan in advance on the off-base properties. This is entirely valid, and I think should be pursued.

Mr. WALDIE. What does the government do in that regard?

Mr. SHEEHAN. HUD's 701 program, provides for the comprehensive planning, enabling the community to undertake a variety of special studies.

Mr. WALDIE. So you assume your planning is just to determine how to utilize the base property that is closed? That is the assistance that you give the community.

Mr. SHEEHAN. Yes; but in addition to the off-base situation, we also utilize the 701 planning money to aid in diversifying the economy of the total area. We are talking about two distinct universes here in terms of planning, one relating to the base, the other relating to the area.

Mr. WALDIE. Now the \$30,00 given Mayor Alioto, for example, was for planning off the base?

Mr. SHEEHAN. It is for on-base planning.

Mr. WALDIE. On-base planning?

Mr. SHEEHAN. Yes.

Mr. WALDIE. For Oxnard, does your plan deal with on-base or off-base?

Mr. SHEEHAN. It includes off-base and on-base planning.

Mr. WALDIE. And of your staff, their responsibility is for both functions?

Mr. SHEEHAN. Yes; that is correct.

Mr. WALDIE. I think I get the drift. Please continue.

Mr. CLEWLOW. I should like to add one parenthetical comment here at this point, Mr. Chairman, and that is in terms of the continuity of the planning effort, we may well want to remember that 5 years ago there were in the Defense Department approximately 1,400,000 civilian employees and today there are 1,030,000 civilian employees.

We have seen a net reduction of more than a third of a million in the last 5 years of civilian employees, which would indicate a substantial movement in terms of determination of activity to be performed and place of performance as well as the numbers of those persons performing.

The findings of the reconnaissance survey, if I may continue with my prepared statement, plus the findings of the committee during its visit are used to help local officials prepare a new development plan or revise an existing one. The development plan in those instances when a base is being closed, includes, in addition to recommendations for other parts of the country, detailed proposals for use of the base property itself.

The plan may recommend that land and existing buildings be utilized for such purposes as housing, industry, storage, transportation, recreation, and education. The proposals, in every case, are integrated with overall land use and highway plans for the community.

We recognize that such development plans are not cast in concrete, but rather that they must be revised from time to time to meet the changing conditions.

They are designed, however, to be well thought out guides indicating in each case a strategy that the local organizations can follow to create new jobs and improve public facilities and services.

Many people, other than local officials, are involved in moving ahead on the package of recommendations. The committee's staff plays a key role. As appropriate, it will enlist the help of various State and Federal agencies. Private resources also are sought, including investors.

Consultants may be engaged for special studies. Sometimes a way is found to provide the local organization with a full-time professional staff to direct the program. As long as the local organization feels the need for its help, the committee's staff will assist by initiating needed actions—all part of the general plan—and following up to see that they are carried out.

A major thrust of the program, as we noted earlier, is to assist

the displaced workers by creating jobs where they presently live, or by helping them obtain jobs in areas where they are available.

New or expanding industry and trade are the real job generators; accordingly much of our effort is focused on expanding industry and commerce. In its work on industrial and commercial development, the committee and local planners study the region as well as the community.

Such matters as the regional highway net, sources of raw material, markets, sewer and water facilities, existing industrial and commercial activities, building sites, urban transportation, airports and air service, quality of labor, the availability of risk capital, and promotional activities are examined before a work program is developed.

Work on community amenities is an important although indirect way of creating employment. Improvements in schools, libraries, hospitals, recreation facilities, housing, and a modernization of the commercial core can help attract new industry, tourists, and keep young people at home.

The upgrading of human resources is an important part of the development program. The committee cooperates with local officials and representatives of various Federal and State agencies to provide, as needed, basic and university education as well as vocational training.

Part of a military base, for example, may be reserved for educational use. A branch of the State University or a vocational-technical school may be established. Right now there are 19 of these operating on former defense properties. Defense equipment not presently needed, may also be used for training purposes.

For example, machine tools totaling over 8,000 pieces of equipment, are being loaned to approximately 400 educational institutions in 44 States. Expansion of higher education also has been promoted in some cases. For example, a branch of the University of Maine is located on part of the former Dow Air Force Base in Bangor, Maine.

An imaginative program has been established on the site of the former Air Force base in Lincoln, Nebr. This operation, originally started in 1971 by a \$300,000 grant from the Department of Health Education, and Welfare, is attempting to resolve the rural educational problems of the 17 State area.

With a base closure or major reduction action, home owners among Defense personnel often face severe financial loss as they may not be able to sell their homes at reasonable terms. The Department of Defense Home Owners Assistance Program assists materially in reducing losses incident to the disposal of homes. It has supplied payments of almost \$18.5 million to approximately 6,500 home owners, and has assumed almost 2,000 mortgages with a total value in excess of \$11 million.

"Forebearance authority" of the Department of Housing and Urban Development also is available to military-connected home owners who are unable to secure a fair price for their property. Under this authority, home owners can make arrangements with holders of FHA-insured mortgages to abate mortgage payments to

avoid foreclosure for a considerable time, and thus wait out the sale of their homes for a reasonable time.

Where a large quantity of Defense-owned housing becomes excessive, the committee works with the General Services Administration to see that the houses are scheduled for sale over a long period so as not to depress the local real estate market.

Mr. WALDIE. What is defense-owned housing? Is that housing that was formerly owned by a civilian employee that the Defense Department took over?

Mr. CLEWLOW. Where the mortgages have been assumed, sir.

Mr. WALDIE. So, the Defense Department just holds those until there is a time they can go on the market?

Mr. CLEWLOW. So there is a phased disposition as opposed to a bunched disposition.

Mr. WALDIE. Do we do that at all for people that work—for example, Boeing in Seattle, the SST contract which resulted in unemployment from the Government failing to subsidize Boeing any longer, do we take care of those employees with similar programs, or are you aware of that?

Mr. CLEWLOW. I am not aware of that. One of my associates here may be aware of it.

Mr. SHEEHAN. Congressman, I am not absolutely certain of this, but I believe the mortgage forbearance as it applies to HUD-funded housing is applicable in those cases.

Mr. WALDIE. Is there a similar agency to yours by the way that deals with impact on the community from a withdrawal of a Government contract that was the sole source of employment in the community? For example, do you deal with a military contract? Suppose it is tanks somewhere and you stop producing tanks and there is a lot of unemployment that results from the withdrawal of that contract. Do you folks go into operation at that point?

Mr. SHEEHAN. You are referring to private defense contractor impact situations?

Mr. WALDIE. Yes.

Mr. SHEEHAN. That is correct. In fact, prior to April 17, 66 or 68 percent of our community locations were of this type.

Mr. WALDIE. Do you have for those workers these benefits that you just described for civilian workers?

Mr. SHEEHAN. Yes, they would also be applicable in those defense contractor impact locations.

Mr. WALDIE. They would?

Mr. SHEEHAN. Yes, that is correct.

Mr. KERR. I wonder if we are understanding properly, because I believe your question originally was addressed to housing, and we provide no housing for private contractor's people. I am not certain that we would apply the personnel benefits except for Defense Department employees alone. I think there was a breakdown in the communications.

Mr. SHEEHAN. It is under FHA mortgage. If I was an aerospace worker.

Mr. WALDIE. Let's go back a bit. When there is an aerospace shut-down because they were building military planes and they are no

longer building them, they lose a contract or something, does this committee go into operation?

Mr. SHEEHAN. That is correct. In the case of Wichita—

Mr. KERR. The economic adjustment portion of it does.

Mr. SHEEHAN. But not Defense. We go to HUD for relief for those individual home owners.

Mr. WALDIE. Forget just the individual home owners, you go into that community and do the same sort of planning for that community?

Mr. SHEEHAN. Exactly, that is correct.

Mr. WALDIE. With this same staff?

Mr. SHEEHAN. This same staff, that is correct.

Mr. WALDIE. You have a tremendous responsibility for handling those plus military base closures.

Mr. SHEEHAN. Yes.

Mr. WALDIE. You are really handling many of the economic dislocations in the country, because they are all generally a reaction to Defense adjustments.

Mr. SHEEHAN. Congressman, on that question, I view this in the context of a professional. Over the past 20 years, there has been a tremendous capability developed at the State level and at the community level. For example, the State of Ohio when I entered this field had four or five employees in their State economic development agency. Today they have somewhere in the neighborhood of 130. This is true of most States across the Nation.

In addition, all of the communities and cities themselves have developed a capability in this field. So, it isn't solely a Federal responsibility to function in this adjustment area. There is great capability at the State, at the city, at the county level, and, of course, in the private sector with the area development departments of railroads, Chambers of Commerce, et cetera.

Mr. WALDIE. Is there any preplanning done anywhere for the eventuality of a base closing or of a defense plant closing? Can I look anywhere to find a plan in existence that assumes the disaster of a plant closing or a base closing?

Mr. SHEEHAN. Yes. Two years ago the State of Massachusetts employed a private consultant to look at the total defense impact in the State of Massachusetts. Governor Rockefeller in New York undertook a similar study. A statewide adjustment commission was established for this purpose. Several of the States have undertaken this kind of pre-impact planning.

Mr. WALDIE. The Federal Government has not?

Mr. SHEEHAN. No, not per se.

Mr. WALDIE. We might get hold of the Massachusetts plan. I would assume they are going to have great need for that. Please continue.

Mr. CLEWLOW. The Committee, in carrying out its mission, recognizes the high significance of the human resources. As a result, training programs to improve this resource have a high priority in all development programs. There have to be available jobs, and preferably a choice of jobs; hence, one of the major efforts of the Committee in its association with community leaders has been aimed at fostering economic growth and stable employment.

By June 30 of this year, the communities which have received major economic adjustment assistance will have replaced 79,456 phased-out defense jobs with over 80,700 new non-Defense jobs—a better than 1-to-1 ratio of jobs gained to jobs lost.

Mr. WALDIE. I don't understand that. Give me an example of the community that received major economic adjustment assistance and that had phased out defense jobs that were replaced with non-Defense jobs at a better than 1-to-1 ratio.

Mr. SHEEHAN. In the city of Mobile, Ala., there were some 12,000 civilian jobs taken out of the city of Mobile.

Mr. WALDIE. What closure was that?

Mr. SHEEHAN. That was the Brookley Air Force Base closure.

Currently, and these figures are provided by the city and county, these are not our numbers—

Mr. WALDIE. When was that closure?

Mr. SHEEHAN. I don't have the date of that closure, but I can provide that for the record, Mr. Chairman. I believe the closure date was 1967.

Mr. WALDIE. The new figures are what?

Mr. SHEEHAN. 19,500 new jobs.

Mr. WALDIE. What year?

Mr. SHEEHAN. This is 1973.

Mr. WALDIE. In the City of Mobile, Alabama?

Mr. SHEEHAN. That is correct.

Mr. WALDIE. And it is your assumption in that 5-year period the 19,000 new jobs would not have been in addition to the 12,000 jobs that were lost? There would have been no creation of new jobs during that period?

Mr. SHEEHAN. Yes, this includes the overall expansion of the general economy in Mobile.

Mr. WALDIE. From 1967 to 1973?

Mr. SHEEHAN. Yes.

Mr. WALDIE. What if that would have been attributable to the expansion of the economy?

Mr. SHEEHAN. I would have to request this from the Chamber of Commerce in Mobile.

Mr. WALDIE. Is it your contention, so that I understand your contention, that these 19,000 new jobs were the creation of the major economic adjustment assistance that was given to Mobile?

Mr. SHEEHAN. No, not solely the responsibility or the function of the Committee. The Committee had a very important function in working with local and State agencies and the private sector in Mobile.

Mr. WALDIE. What portion of that would you attribute to the major economic adjustment assistance that was given Mobile?

Mr. SHEEHAN. I would judge that probably—and this is just an estimate on my part—it may be 3,000 of those jobs were generated directly on the base as a result of our effort.

Mr. WALDIE. So actually it was a loss of 12,000, 3,000 new jobs were generated by your activity, and 16,500 jobs came as the result of some other actions.

Mr. SHEEHAN. I am saying our effort in terms of the 19,000. The general economy expanded.

Mr. WALDIE. But you don't take credit for that?

Mr. SHEEHAN. No, we don't.

Mr. WALDIE. This statement "By June 30, 1973, the communities that received major economic adjustment assistance will have replaced 79,000 phased-out defense jobs with 80,000 new non-Defense jobs—better than a 1-to-1 ratio"—you don't credit that to anybody, do you?

Mr. SHEEHAN. No.

Mr. WALDIE. Wouldn't that be true of any community that does not receive major economic adjustment?

Mr. SHEEHAN. In each of these locations, these are numbers provided by the Chamber of Commerce where we have had a base closure or a major defense contract termination. We look at the employment at Donaldson Air Force Base in Greenville, S.C., and I have got some numbers on that. We took 672 civilian jobs out. On that Donaldson Air Force Base, the numbers are currently 4,370 non-Defense jobs on that former military installation. I can provide for the record a recap of the numbers on each of these locations.

Mr. WALDIE. Your conclusions there I presume would be the best thing in the world for that community is to close that defense installation?

Mr. SHEEHAN. In fact, the editor of the Greenville newspaper made that statement in an editorial recently in the newspaper. He said, "I wish, Mr. Secretary of Defense, you had another base to close in Greenville, S.C."

Mr. WALDIE. I guess it would be fair to say that if we could close all the bases in the country we would all be better off.

Mr. CLEWLOW. Let me state my reason for making this statement was to indicate that there was not sheer economic chaos with the closing of an installation but rather this activity provided the catalyst which provided the recovery at least the equal.

Mr. WALDIE. In every statistic you have given me it is not only equal, but it is better. The best thing that happened in those communities was to get rid of the Defense Department's intrusion in those communities. Is that a wrong conclusion?

Mr. SHEEHAN. Mr. Chairman, we have just recently concluded a major effort in the city of Wichita. I realize that there was a major injection of Federal moneys in many areas in support of the program, but I think the most significant comment came from Mayor Green and the chairman of the Wichita Area Growth Council. He said, "Mr. Sheehan, I think one of the most significant benefits from our work with the committee was, 1, the organizational vehicle that you, together with the State, together with the county and the city, pulled together and established in Wichita. It will sustain us not through 1972 but well into the 1980's if we are to sustain and maintain this type of leadership organization in the community."

He said, "This is the first time since 1883 the City of Wichita, the county of"—I don't recall the surrounding county—"and the private sector were working in harmony and together," and he said, "I think apart from the tangible specific benefits your committee

left in our area, the most significant one was this organizational vehicle you provided and encouraged that it be established."

Of course, the second thing he stressed was the fact that we, working with local leaders, provided a development strategy for the long-term growth of that city. I am inclined to agree with him. I think these were two very significant inputs into that effort.

Mr. WALDIE. Please continue.

Mr. CLEWLOW. In conclusion, I would like to emphasize that Defense management and personnel officials maintain a strong sense of responsibility for assuring that displaced employees are afforded meaningful assistance and that local communities are aided in alleviating economic impacts resulting from base realignment actions. We believe we have gone far beyond the minimum requirements of law and regulation to provide this assistance.

As a responsible employer, in the Defense Department, we sincerely believe that we have an obligation to our employees and the communities in which we are located to take all reasonable steps to minimize, insofar as possible, the adverse effects upon them of necessary changes in base structures.

I want to express appreciation to you, Mr. Chairman, and to other members of your committee for giving us this opportunity to present the testimony on this particular subject.

Mr. WALDIE. Thank you, Mr. Clewlow. I have some questions that I want to give to you based on our correspondence.

In your letter to me of May 25, you indicated that sometime in June you might have information on the time phasing of personnel actions and the number of employees who will be subject to reduction-in-force and transfer and who may be expected to retire as a result of base closures. Do you have that information available now?

Mr. Clewlow. It will be about another week to 10 days before we have that information.

Mr. WALDIE. I would appreciate your sending it to the subcommittee, if you would.

Mr. WALDIE. You indicated in that same letter that you do not have in one central source a breakdown of actual numbers of presently employed individuals to be affected and the vacant positions to be abolished at each base. If that is so, how can you operate an effective nationwide job pool? How can you make the best use of job vacancies data and available skill data if you do not have a central system? I presume the answer to that would be in your description to me of the computer operations?

Mr. CLEWLOW. That is correct.

Mr. WALDIE. How did you select the areas in which military bases were to be closed down? I presume you did not select the areas?

Mr. CLEWLOW. I would like, if I may, ask Mr. Kerr to address that question, sir.

Mr. WALDIE. On the face of it, it appears that some functions were transferred from areas with high employment, such as Rhode Island and Massachusetts, to some other areas in the South where unemployment figures were below the national average. Are regional factors such as unemployment or dependence on defense activity considered before base closing decisions are made?

Mr. KERR. The answer to that is, no, sir, not from the standpoint of those of us that evaluate the necessity for retaining or continuing to operate a base. It is purely a matter of military necessity, our 5-year programs, and the strength of our military services.

Mr. WALDIE. Those factors to the extent they are considered are intruded politically by the legislative process?

Mr. KERR. One would assume so, yes.

Mr. WALDIE. Why was there such a short leadtime from announcement to the completion of closure or transfer in the present cases? I understand that one of the reasons why the Bangor, Maine action was so successful in the 1960's was that they had relatively long leadtimes from announcement to the time the closure activity had to be completed. Would longer leadtimes reduce the problems of individuals and affected locals?

Mr. KERR. I think the answer would have to be yes, because it would give Mr. Sheehan and the personnel folks more time to get into it. We did not have—I don't think we had unusually short leadtimes, not much different than in the last 10 or 15 years, this particular time.

However, we felt a very urgent press of dollars, and this was the major motivation.

Mr. WALDIE. Do you offer assistance to every affected community, or must their representatives seek out the Office of Economic Adjustment?

Mr. SHEEHAN. We participate only on request of the community. Of course, when we view a community, we view a request from the congressional delegation as a request to participate or to assist the community.

Mr. WALDIE. I guess part of that question would involve, do you have adequate programs of informing the affected communities of the availability of your services?

Mr. SHEEHAN. That is correct, we do.

Mr. WALDIE. How is that done?

Mr. SHEEHAN. As I am sure you are aware, the Federal Handbook of Aid to Communities fully describes the program. The base commander in each location is fully aware of the program; in fact, repeated mailings have gone out to the base commanders relative to our function, and they are meeting weekly or monthly with key area leaders in all affected locations.

So, this I feel is common knowledge throughout the country.

Mr. KERR. There is another aspect to that, too, Mr. Chairman. When the announcement is made, on the date of the announcement, that announcement made by the Secretary, or by whatever method, makes reference to the existence of the program.

In addition, when the congressional committees and the affected members are notified, it is simultaneously on the day of the announcement.

Mr. WALDIE. Is the DOD now embarked upon a general reduction-in-force?

Mr. CLEWLOW. I would classify this as a general reduction-in-force because of the size of it, sir, at the present time.

Mr. WALDIE. Does that not add to the difficulty of finding new employment within DOD for those who are displaced?

Mr. CLEWLOW. It gives us some trauma just at this time in finding employment for everyone.

Mr. WALDIE. Actually, I guess the whole of Government is involved

Mr. CLEWLOW. I think we have to consider one factor in reduction-in-force, and that is in any kind of an organization, whether we are dealing in industry, in institutions such as universities, or whether we are dealing with the Federal or State Government, there is a certain percentage of turnover.

We identify this as attrition. The longer the leadtime, the more can be absorbed by attrition.

Mr. WALDIE. Right now do employees who are affected by RIF rather than a base closing have the same rights as those who lose their jobs because of base closures?

Dr. VALDES. If they are being separated through a reduction-in-force, they have the same rights for placement as other employees who are being separated at a base being closed, yes, sir.

Mr. WALDIE. If an employee is being separated just because a base is being closed, he is in the same category as a reduction-in-force employee, isn't he?

Dr. VALDES. Yes, sir. An employee who is being separated involuntarily by reduction-in-force is registered in our system on the same basis as an employee being separated because a base is being closed.

Mr. WALDIE. So, neither is treated differently. He gets—

Mr. CLEWLOW. Equal rights.

Mr. WALDIE. Gentlemen, I have no further questions. I appreciate your testimony. Your responses have been quite open and quite frank. I appreciate your coming.

Thank you very much.

[Whereupon the committee adjourned at 11:40 a.m. to reconvene at 10 a.m., Wednesday, June 6, 1973, in the same room.]

**FEDERAL EMPLOYEE ASSISTANCE IN A REDUCTION
IN FORCE**

WEDNESDAY, JUNE 6, 1973

U.S. HOUSE OF REPRESENTATIVES,
COMMITTEE ON POST OFFICE AND CIVIL SERVICE,
SUBCOMMITTEE ON RETIREMENT AND EMPLOYEE BENEFITS,
Washington, D.C.

The subcommittee met at 9:30 a.m., in room 210, Cannon House Office Building, Hon. Jerome R. Waldie (chairman of the subcommittee) presiding.

Mr. WALDIE. The subcommittee will come to order.

Our first witness is Mr. Jerome Barnett who is a special assistant to Mr. James K. Keefe, Department of Industry and Commerce, State of Maine. Mr. Keefe was unable to appear today because of a commitment that was important elsewhere. Mr. Barnett will be testifying in his behalf.

Mr. Barnett, we welcome you to the committee. Please proceed. Would you wish to have Mr. Keefe's statement included in the record in its entirety?

Mr. BARNETT. Yes, sir; I think that would be best and I would submit myself to questioning rather than read his prepared remarks.

Mr. WALDIE. As a matter of fact, if you could summarize his remarks, we would appreciate it. We will, however, include them in the record.

**STATEMENT OF JEROME BARNETT, SPECIAL ASSISTANT TO
JAMES K. KEEFE, DEPARTMENT OF INDUSTRY AND COMMERCE,
STATE OF MAINE**

Mr. BARNETT. In summarizing, Mr. Chairman, I would say that you can have good and bad results when announcements are made regarding closings of military installations. We are talking on Air Force bases.

In regards to Presque Isle, Maine, I was at that time with the Federal Government, Area Redevelopment Administration, U.S. Department of Commerce. It was a short notice. In other words, sir, they announced they were going to close Presque Isle Air Force Base say within 4 months. You can argue the point, does this mean that the community gets together faster, if they are given a longer time—in other words, longer notice? And I feel it works both ways, because I cite the instance of the Dow Air Force Base in Bangor, Maine. The Dow Air Force Base and the city of Bangor were notified that they were going to close the base, 4 years, whereas Presque

Isle was a shorter period of time. Commissioner Keefe had the opportunity and was hired to come up to Presque Isle, to organize the town, and he had the backing of the town and community officials to the point where, today, on Presque Isle Air Force Base, known now as Presque Isle International Airport, we have more people employed than when we had the military people there.

Going to Bangor and Dow Air Force Base, every building that was useful on that base is now being utilized. I would say this, that it is a blow, naturally, when they say they are moving out a military installation but also it is an experience to work with the community, to get the community leaders together as far as the bankers, the Chamber of Commerce and other leaders to work together to put their heads together and more or less just get the base going.

Mr. WALDIE. Let me ask a question or two. In both the Presque Isle and Dow Air Force matters, what was the role of the Federal Government in assisting the reconversion?

Mr. BARNETT. Well, in both cases, sir, it was the Department of Defense who took over as the guiding organization. As far as Presque Isle was concerned, my experience, with the Area Redevelopment Administration at that time under the Department of Commerce was working in Aroostook County as it had been designated as a depressed area.

Commissioner Keefe set an office up in Presque Isle and brought in the Small Business Administration as well as other Federal agencies that would be of assistance.

Mr. WALDIE. Department of Commerce?

Mr. BARNETT. Area Redevelopment Administration under the U.S. Department of Commerce.

Mr. WALDIE. Now, did the Air Force, itself, or the Department of Defense participate through this committee?

Mr. BARNETT. Yes, sir.

Mr. WALDIE. What was its role?

Mr. BARNETT. They set up a liaison committee, and they worked closely with the office that was set up.

In other words, we had access to seeing the base commander and access to show the buildings, more or less clear the way of possible road blocks.

Mr. WALDIE. But the Area Redevelopment Administration was really the primary Federal Government entity involved at Presque Isle?

Mr. BARNETT. No, sir, Department of Defense.

Mr. WALDIE. And this liaison—

Mr. BARNETT. All Federal agencies involved working out of Commissioner Keefe's office.

Mr. WALDIE. The Liaison Committee of the Department of Defense had a subordinate role.

Mr. BARNETT. No.

Mr. WALDIE. At Dow Air Force, was that the same?

Mr. BARNETT. No, sir, because the city of Bangor was not a depressed area, it was the Department of Defense.

Mr. WALDIE. So, the Department of Defense was the primary governmental entity?

Mr. BARNETT. In Bangor, yes; and also Presque Isle.

Mr. WALDIE. Did you participate in both those?

Mr. BARNETT. Yes, sir, as a Federal employee.

Mr. WALDIE. In your view which was the best administered? In other words, would we be well advised to turn over this responsibility to the Department of Commerce or would we be well advised to leave the responsibility with the liaison committee of the Department of Defense?

Mr. BARNETT. Well sir, in answering that question I would say that the Department of Defense, as far as the Federal Government entity, but with a State entity, Department of Commerce and industry in Maine's situation would be the State organization. In other words, what I am trying to say, I guess it is a ball team all working together and it worked out well with the Department of Defense in Bangor and it worked out well in Presque Isle in the same way.

Mr. WALDIE. If I understood what you said, you are saying it does not really make any difference. It worked out well in each case.

Mr. BARNETT. In my experience, yes, sir.

Mr. WALDIE. Whichever one of the two?

Mr. BARNETT. Right, sir.

Mr. WALDIE. What was the size of Presque Isle at the time of the closing?

Mr. BARNETT. At the time of the closing, sir? 18,000.

Mr. WALDIE. What percentage of employment opportunities did the Air Force provide to that population?

Mr. BARNETT. I would say the percentage, 25 percent.

Mr. WALDIE. And in Dow Air Force, what was the population?

Mr. BARNETT. Population of Bangor at that time was probably about 40,000.

And employment out there I would have to say 10 percent.

Mr. WALDIE. So, the impact on Presque Isle was the most severe, I guess.

Mr. BARNETT. Yes, sir.

Mr. WALDIE. I do not understand why it is that Maine has such a remarkable success. Have you ever had a bad failure up there in terms of any closings?

Mr. BARNETT. You mean, as far as closure, sir?

Mr. WALDIE. Yes.

Mr. BARNETT. No, sir, those are the only two. We still have Loring Air Force Base at Limestone which is 14 miles north of Presque Isle. Then we have the Brunswick Naval Air Station in Brunswick, Maine which is 33 miles west of Portland, no other closing.

Then, of course, we have the one you have probably been reading about, Portsmouth, Kittery Navy Yard.

Mr. WALDIE. Yes. Well, I am impressed the two experiences you have had, as dissimilar as they seem to be, both have had a successful result. We are trying to draw some conclusions as to whether it is advantageous and helpful to the communities involved, as well as the employees that there will be ample notice before closure so that preplanning can occur long in advance of the traumatic events of closure, and Dow Air Force would seem to say yes, that is a good way to do it. But Presque Isle would seem to say it does not make

much difference. Would Presque Isle have been able to come up with an easier transition from military to civilian had you had 4 years as you did in Dow?

Mr. BARNETT. Well, sir, I think maybe it comes down to the answer of how the community faces up. I mean, I can speak from experience in Presque Isle. People just rolled up their sleeves and went to work. They naturally knew we had some problems. They went to work and all worked as a team. The same way in Bangor. It was quite a startling announcement when Dow Air Force Base was going to be closed. But the difference was everybody could plan more because they had a longer period of time to know when the closure was going to take place. In answering your question, I guess it is up to the community. I guess I would have to answer you that way, sir.

Mr. WALDIE. Was Presque Isle an easier conversion than Bangor?

Mr. BARNETT. Was Presque Isle an easier conversion than Bangor?

Mr. BARNETT. Yes, sir.

Mr. WALDIE. Considerably easier?

Mr. BARNETT. Yes, sir, because of the time we had to work in.

Mr. WALDIE. Maybe that explains why you were able to do it in 4 months whereas it took 4 years in the other instance. If you have a complicated conversion, it just stands to reason to me that the more time you have, the better off your conversion opportunities will be. The Defense Department says this: that you should never give a community prenotice of your intention to close a base down because they panic. Do you agree with that?

Mr. BARNETT. No, sir.

Mr. WALDIE. Do you believe the community ought to be given notice as quickly as possible of even remote plans to close the base down so they can start planning?

Mr. BARNETT. Yes, sir.

Mr. WALDIE. The Department of Defense has a list of bases that they keep in their pocket of potential closures when the need arises. Do you think we ought to be planning in those areas for ultimate closure if unhappily or happily that is required?

Mr. BARNETT. Well, sir, I believe, if they have in their pockets lists of potential closing of bases, that they should meet with the Governor of the State and the State agency, like in Maine, sir, the Department of Commerce and Industry, and then set up an orderly plan. It could be a bad experience as you say. I think we should have advance notice to set it up orderly, sir.

Mr. WALDIE. You have other bases left in Maine?

Mr. BARNETT. Yes, sir.

Mr. WALDIE. Have you been operating on the assumption that fate may deal a blow to those two bases, also, and have you therefore engaged in some planning involving the area surrounding those bases if that does happen?

Mr. BARNETT. No, sir; not to my knowledge.

Mr. WALDIE. Then you would sit back and wait until an announcement from the Department of Defense comes?

Mr. BARNETT. Yes, sir.

Mr. WALDIE. Why?

Mr. BARNETT. We have been told say, for instance, Limestone, which is Loring Air Force Base, is the most strategic.

Mr. WALDIE. But you were probably told that about Presque Isle.

Mr. BARNETT. Yes, sir, that is true. In answer to your question, we do sit back, yes, sir.

Mr. WALDIE. Is that wise?

Mr. BARNETT. No, sir.

Mr. WALDIE. No; I do not think it is, either.

I think the responsibility for planning for conversion of bases from war to peaceful uses is a responsibility of local, State, and Federal government.

Mr. BARNETT. Yes, sir.

Mr. WALDIE. And I think none of these entities ought to sit back. Probably the key responsibility is State and local to do the planning and then go to the Federal Government.

Mr. BARNETT. Usually it goes to the State because the local government does not think of it.

Mr. WALDIE. I think that is right.

Then demand of the Federal Government the participation and assistance you need and keep updating those plans.

Now, is Presque Isle and Dow Air Force—or Dow, or Bangor—are they better off do you think now that those bases have been closed?

Mr. BARNETT. I do.

Mr. WALDIE. Well, I would think so, too, the way you have described it.

Mr. BARNETT. We have, as I say, more employment on both of the bases, Bangor and Presque Isle, than we had with the military personnel there.

Mr. WALDIE. How long has it been in each instance that the closures were effected—Presque was when?

Mr. BARNETT. Let us see, sir, Presque Isle would be—I am just thinking. That would be at least 10 years.

Mr. WALDIE. Yes.

Mr. BARNETT. And in Bangor would be six.

Mr. WALDIE. How quickly did you come back—I would assume in a decade you would have higher employment in the area than you would have had a decade ago? I do not know how much of that would be attributable to the abandonment of a military establishment. How quickly after Presque Isle was abandoned did you replace it with a civilian operation?

Mr. BARNETT. Over a period, sir, of 3 years.

Mr. WALDIE. Three years?

Mr. BARNETT. Yes, sir.

Mr. WALDIE. What happened to the families that were unemployed during that 3-year period, do you have any tracings of that—were there any studies done? After a 3-year period, I presume there were enough jobs to employ everybody that lost a job but, during the 3-year period before the new jobs were created, were there any studies made as to what happened to those employees?

Mr. BARNETT. Well, sir, maybe I misunderstood you. Are you saying civilian employees or military employees?

Mr. WALDIE. No; civilian employees. Military, I presume, were all transferred.

Mr. BARNETT. Yes, sir.

Mr. WALDIE. Civilian employees that lived in Presque Isle.

Mr. BARNETT. I really can't answer that because, to answer correctly to you, sir, I do not think there were that many civilian employees other than in your PX's and base supply offices, and so forth.

Mr. WALDIE. I see, that was mostly military.

Mr. BARNETT. Yes, sir.

Mr. WALDIE. So the impact then was on the civilian economy of the loss of the military pay?

Mr. BARNETT. Yes, sir.

Mr. WALDIE. All right. On the Dow Air Force closure, were there many civilian employees employed there?

Mr. BARNETT. Yes, sir.

Mr. WALDIE. How long was it before Dow Air Force was fully converted back into civilian production, roughly? Was it a 3- or 4-year period?

Mr. BARNETT. I would say 3 to 4 years but, sir, see, what happened to Dow and we have two different bases, one is that at Dow Air Force Base in Bangor we used the hospital facilities for the city hospital. We used a lot of the dormitories, so to speak, for the University of Maine at Bangor. The rest of the hangar buildings were used for going out and getting industry, General Electric, Sylvania and so forth. Then we, of course, had one of the longest—well, not "had," we do have one of the longest runways in the country, so therefore, we have turned that into what is now called the Bangor International Airport. We have built under the Federal Government and the Economic Development Administration which is the successor to ARA, a domestic terminal building and they also have granted money for an international arrivals building. So what has happened at Dow is that we do not have the congestion, we have touch-and-goes by various airlines. And we also have them landing there when they get logged back at LaGuardia, Kennedy and Logan International. We are using the airport. And we also have a catering business there now for our overseas aircraft that are on charter business.

We have used most of the air base as far as the air terminal is concerned. We have used it for the University of Maine, the city of Bangor so we have utilized it in all facets so to speak.

Mr. WALDIE. That seems to me to be a very innovative and excellent reconversion plan you have sketched. But I am curious to know, were people that were thrown out of work because of the closure able to be absorbed within a reasonable length of time into the new jobs created by the reconversion, or was there an elapsed time between their loss of jobs and the creation of new jobs—were any studies ever made of what happened to people that lost their jobs as a result of that base closure?

Mr. BARNETT. As far as your last question, sir, I do not think there were any studies done on elapsed time. I believe, to my best recollection, that there was not that many people involved as far as losing their jobs and being on what I would say unemployment.

Mr. WALDIE. That is because probably the 4-year notice, so that you were able to phase out employment?

Mr. BARNETT. Yes, sir.

Mr. WALDIE. That would seem to me to be another good reason for long-term notice of base closures so that the impact could be absorbed, and the loss of jobs phased.

Mr. BARNETT. Yes, sir; that is why I said there was a difference between Presque Isle and Dow Field.

Mr. WALDIE. Right.

Dow Air Force seems to me to be an awfully good example of the way to do it, long-term notice, 4 years, very innovative use of those facilities and little immediate impact on employment and a net increase in employment of the community involved. If you can produce statistics like that, you would have few panics as you now have when people hear that a defense installation is about to be closed.

Mr. BARNETT. Yes, sir.

Mr. WALDIE. In fact, they would applaud it.

Mr. MOAKLEY, do you have any questions?

Mr. MOAKLEY. Yes, Mr. Chairman. I concur with the long-range notice. In fact, I just left a meeting with Admiral Zumwalt. We were talking about the closing of the Boston base. He said this base has closed 3 years too late, meaning that the military knew well in advance of the proposed closing date that the Boston Naval Shipyard would be phased out.

So, there would be no reason in the world that they could not give a 4-year notice in that situation. I just think that although I admire what has happened in your area and I admire very much how the community got together once the notice was given and rolled up their sleeves and went to work, I think you did have the time. And I think that your situation cannot be compared with the Boston situation because you know they are two completely different neighborhoods and communities.

Mr. BARNETT. Yes, sir, and the location, various facilities, yes, sir.

Mr. MOAKLEY. But getting back to the Chairman's question about the notice, the type of notice given and whether you thought of phasing out the base before notice was given, I think that the people in the community just do not even think, or like to think, that a base may be closed because they appreciate all the attendant problems such as unemployment, reconversion, and so forth. Therefore, they just hope it is Christmas every day.

Mr. BARNETT. Right.

Mr. MOAKLEY. And they probably block this out in their minds and think about other immediate problems that probably need some attention. Many times we in the political area too often respond with knee-jerk solutions, but in this case such a reaction was not possible because no warning was given in advance. But I think that the same thing happened in the city of Boston. Ultimately we knew that these bases probably would be phased out, but we just did not want to think about it because we were thinking of some 5,000, 6,000 civilians and, you know, when you have an area that has a 7.2 unemployment ratio and add this on to it, you have a very serious problem. So I think your group did an excellent job in converting what you did have into what you do have now.

Mr. BARNETT. I wish Commissioner Keefe could be here today. He did an admirable job at Presque Isle, Mr. Chairman. He went to work for the Department of Defense and helped in base closures, because he had done such a good job in Presque Isle. Now he is back as commissioner of the department of commerce and industry in Maine, one of the best ones we have had.

Mr. MOAKLEY. Wonderful.

Mr. WALDIE. I think your testimony has been very helpful. Please tell Commissioner Keefe we fully understand the reason for his in-attendance and that we extend our congratulations to him and to his daughter for her graduation from high school.

Mr. BARNETT. I will convey that to him.

Mr. WALDIE. Are there any further questions, Mr. Moakley?

Mr. MOAKLEY. No, Mr. Chairman.

Mr. WALDIE. Thank you very much.

[The prepared statement of James K. Keefe follows:]

STATEMENT BY JAMES K. KEEFE, COMMISSIONER, MAINE DEPARTMENT OF COMMERCE AND INDUSTRY, AUGUSTA, MAINE

Honorable Chairman and members of the committee, the late President John F. Kennedy, in his State of the Union Message in January 1961, said that certain U.S. military installations, including "a Snark missile facility", were to be shut down as obsolete. Since there was only one Snark missile base in the world, and that facility was located in Presque Isle, Maine, the citizens of Presque Isle were alerted to the fact that the facility in their city would be closed. What follows is the Presque Isle story.

First, its location and demography. Presque Isle is located some 400 miles north of Boston, Massachusetts. In fact, it is a shorter distance from Boston, Massachusetts, to Washington, D.C., than from Boston, Massachusetts, to Presque Isle, Maine, and the transportation routes are much more developed between Boston and Washington than between Boston and Presque Isle.

Presque Isle is a small, rural, agricultural community of approximately 12,000 people. Much of the economic structure for Presque Isle was based on the military and the local agricultural crop, which was potatoes.

Thus, the eventual closing of the military base was a large, formidable task. Presque Isle Air Force Base consisted of some 2,100 acres and some 349 buildings. In addition to a modern Snark missile facility, it included a series of runways (used by the Atlantic Defense Command) that had become outmoded.

Second, the closing. There were some people in Presque Isle who protested strongly to their congressman and requested that the Presque Isle City Council simply put a padlock on the gate and not attempt to do anything with the facility; but, the power structure of the community and the area felt differently. Thus, early in 1961, the Presque Isle Industrial Council was formed. It was an unusual organization in its makeup and, while the initial funding came directly from the City, it was not a part of City Government. It was a quasi-municipal operation consisting of seven directors: two directors from the Presque Isle City Council, two from the Greater Presque Isle Chamber of Commerce, and three people at large. It was this group which hired the former Chamber of Commerce Manager, James K. Keefe, to be the first full-time employee. Keefe, in turn, hired two maintenance men and two secretaries. Immediately, a study was initiated of possible uses of the former Air Force facility. This consisted of an analysis of the area—its resources, labor, etc.

At that time a decision was made to divide the former Air Force facility into five different packages, as follows:

(1) The Northern Maine Vocational School, which at the time was the second vocational school in the State of Maine;

(2) The building of a junior high school, which was to become known as the Skyway Junior High School;

(3) The retention of the housing by the military. The military personnel that would live in the housing were stationed at the nearby facilities of Loring Air Force Base in Limestone, some 30 miles distant;

(4) The fourth package was the so-called Airport Package, which consisted primarily of the existing runways and some buildings that would provide a location for a hoped-for fixed base operator, as well as some buildings that could be rented to produce hoped-for dollars that would provide for maintenance of the airport;

(5) The last package consisted primarily of the railroad track—approximately 2.3 miles—plus a group of buildings located adjacent to the railroad tracks, and approximately 15 buildings that made up the Snark missile facilities.

After much dickering with the Federal Government and the General Services Administration, the City of Presque Isle agreed to a purchase price of \$56,000 for the last package. The \$56,000 was arrived at in the end as the money that might be derived if all the buildings were salvaged and sold for scrap. At that time, no one felt that economic entities in the form of business concerns and industries could be located some 400 miles north of Boston, Massachusetts.

The procedures and techniques worked out at the closing of the Presque Isle Base saw the founding of the Office of Economic Adjustment in the U.S. Department of Defense, under the direction of Robert Steadman. Secretary of Defense McNamara set this office up with the purpose of cutting, or eliminating as much as possible, the red tape that might be involved both within the Department of Defense itself and within numerous Federal agencies.

At the request of Senator Muskie, a mass conference was held involving both Federal and state officials, as well as many people from the local area. Among those involved in the conference, which would later be involved in the process of the base closings and the development of the five packages outlined previously, were: The U.S. Department of Health, Education and Welfare; the U.S. Department of Commerce and, more particularly, its Area Redevelopment Administration, later to become the Economic Development Administration; the U.S. Department of Labor; the Federal Aviation Administration; the Small Business Administration; and, most importantly, the General Services Administration; plus many more that I have not mentioned.

Each package related to an on-going Federal program, and the aim was to divide the base into as many areas as possible and to take full advantage of the Federal programs. Each piece of ground or building allocated to an area reduced the size and scope of the last package which the City of Presque Isle would have to purchase.

The base closing was a most interesting experience and one which I appreciated more later when I served with the Federal Government myself.

Here were all these bureaucrats with no rules, regulations, committees or standards to operate with being asked to aid and assist a community affected by a military base closing and those people who might be involved personally in the closing.

An example of the mass confusion was the disposition of the equipment at Presque Isle. The Office of Economic Adjustment, under orders from Secretary McNamara, was to make available as much equipment as possible that was needed to launch a vocational school, junior high school, etc. At first, no one knew where to begin, or who had priority over whom. Consequently, some equipment simply disappeared, illegally, and some went under what were then legal procedures to other military facilities, or Federal establishments throughout the United States. Later, procedures required all military or other groups to prove a need for the equipment. But, from this, all were to gain experience as to what to do in the future, and definite patterns and procedures were worked out. There was chaos and frustration everywhere, but the final results were good.

At this point I would like to—if I may—talk about people. First is the military. Procedures with the bulk of the people stationed at Presque Isle were pretty well established since most of them were military personnel. Consequently, two basic things happened to the military personnel at the base: (a) some were reassigned to other facilities, and (b) some chose to retire.

Among these who chose to retire and stay in the Presque Isle area were both enlisted men and key officers, and they were to play important roles in the use of the various buildings.

The second group was the civilians, and fortunately they were a relatively small complement because there were no set procedures as to what to do. Some transferred to other bases and these, for the most part, were wives of military personnel who were being reassigned. Some people transferred to other military establishments through the process of "bumping" other workers. This means that some of the workers at Presque Isle had seniority rights. A third group simply retired. Many people found jobs at the base, either in the vocational school, the junior high school or the various industrial and business complexes that were to develop there later. In fact, I hired one of the military people to be on my maintenance crew, which consisted of two people. In some cases new ventures in veneer or shoe making were launched and all kinds of training programs to help the new employees and employers were instituted.

The important thing was that initial procedures were developed. These were later used for all Defense Department employees affected by a military base closing. An example is Dow Air Force Base in Bangor, Maine, which is now known as Bangor International Airport.

I will conclude my remarks with some comments relative to the procedures used, developed and refined for people affected by military base closings, but the result of what happened at Presque Isle, Maine, can be briefly stated in the words of an article appearing in *The Reader's Digest* in March of 1966.

"Any area faced with the shutdown of a surplus military installation can profit from the experience of this remote Maine community. Threatened with ghost-town oblivion, it has instead built itself a boom."

The "boom" at Presque Isle has continued. Now, 12 years later, unless you had prior knowledge you would not know it was a former military base. It is now called Skyway Industrial Park. Jobs and taxes on the former military base far exceed those of when it was a military facility. All the former buildings are now occupied, and many new ones have been built. The list of businesses and industries and people working at the base has come from approximately 250 when the military was in existence, to well over 1,000 today. The civilian payroll in Presque Isle for all industry—both on and off the base at the time of its closing in 1961—was less than one million dollars; today, the industrial payroll exceeds seven million dollars.

The "power structure" or leaders from throughout central Aroostook County became involved in the base closing. The closing served as a catalyst that led to the establishment of large economic entities both on and off the base. Examples were the establishment of the world's largest potato processing plant, and the establishment of a second cash crop in Aroostook County.

Thus, Presque Isle was the guinea pig, so to speak, for all military actions involving closings and readjustments which would take place in the future.

In the fall of 1964 I joined the Office of Economic Adjustment of the U.S. Department of Defense. It was my honor to write a text on how to organize urban and rural areas. My job was working with and talking to communities for regional economic development, and to travel all over the U.S.A. in both areas affected by military base closings—some larger and some smaller. Copies of my paper are made available to all members of the Committee, and additional copies may be secured by writing to the Department of Commerce and Industry, State Capitol, Augusta, Maine 04330.

By January of 1965, the successful procedures and methods developed on a trial and error basis in Presque Isle, Maine, some four years earlier, had been ironed out. On January 18, 1965, in his special message on defense, the late President Johnson had this to say: "Men and women, who have devoted their lives and their resources to the needs of their country, are entitled to help and consideration in making the transition to other pursuits."

By June 30 of 1965, the record of elimination of obsolete military facilities was as follows:

Number of actions-----	1 703
Jobs eliminated-----	147, 801
Jobs moved geographically-----	137, 650
Acres released-----	1, 630, 630
Industrial facilities released-----	64
Annual savings-----	\$1, 034, 000, 000

¹The word action means a decision. For example, a base may have 2, 3, or more different missions, and only 1 or 2 of these missions might be affected, but the various missions count as an action; so, by 1965 they point to 703 actions, but we may be talking about only 300 actual military closings.

The procedures that originated at Presque Isle in 1961 were to establish a new pattern that was refined and polished as the years went on. Prior to Presque Isle, military base closings such as those following World War II consisted of just closing the base and no real effort was made to assist either the communities affected or the people involved. This procedure changed in 1961. For example, by carefully studying job turnover rates (around 14%) at the U.S. Department of Defense establishments, and using computer techniques, it was possible to match job vacancies with those persons looking for a job due to a base closing. Thus, by June of 1965, the nearly 300,000 employees affected by military base closings were:

- (1) Guaranteed a new job opportunity;
- (2) Reimbursed for costs of moving to a new job;
- (3) Had their income protected during period of transition,

I am sure that these procedures have been even more perfected now and copied by others. I know, for example, that this procedure of computer programming and matching job openings with job seekers is now being used by various states, one of which is the State of Maine.

The procedures on job location became so sophisticated that parts of the country, pay levels, etc., were added so a person affected—if he chose to move—could literally select a job opening in an area of the country to his liking and he and his family could be moved to the new location at government expense.

In March of 1966, *The Reader's Digest* entitled its story on the Snark missile base closing "Presque Isle Points the Way." The initial reaction to a military base closing is one of shock and a holler for government retention of the facility. Acceptance of the challenge of change by community leaders, and the use of imagination, coupled with perfected techniques, can make a base closing turn out to be a blessing in disguise. I know, I experienced it in Presque Isle, Maine, and I later saw the Presque Isle story duplicated all across this great nation in both larger and smaller communities.

My thanks for the invitation to appear before this Committee. I hope that members of this Committee concerned with communities and employees affected by military base closings are encouraged by the success encountered as a result of the Presque Isle base closing.

[The article which follows, "Presque Isle Points the Way," was an attachment to Mr. Keefe's statement. Another attachment entitled "A How-To Manual," is retained in the files of the subcommittee.]

A
Reader's Digest

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Any area faced with the shutdown of a surplus military installation can profit from the experience of this remote Maine community. Threatened with ghost-town oblivion, it has instead built itself a boom

Presque Isle Points the Way

By HARMON TUPPER

THE ANNOUNCEMENT was made in Washington early in 1961: certain U.S. military installations, including "a Snark missile facility," were to be shut down as obsolete. It came as shocking news to residents of Presque Isle, a remote little city of 12,000 population in northeastern Maine's potato-growing Aroostook County. Their town was the site of the world's only Snark base—and its closure threatened them with economic disaster.

For nearly 20 years, Presque Islers had thrived on the sprawling military complex. The base had served first as a transit point for transatlantic military planes in World War II, later as a launching facility for the air-breathing, subsonic Snark

missiles now outmoded by ICBM's. The cavernous hangars, missile buildings and maintenance shops—silhouetted like gigantic breadboxes against the distant pine-clad hills—accounted for half the town's industrial jobs, and the \$2,500,000 annual payroll of the base's 1250 servicemen was its economic lifeblood.

Many Presque Islers clamored for government retention of the base. But Secretary of Defense Robert S. McNamara was immovable. Washington did, however, promise to cooperate in any plan to ease adverse effects from the shutdown.

After several sessions with federal and state officials, the city council decided that the only hope was to buy the facility and make it eco-

PRESQUE ISLE POINTS THE WAY

nomically productive—a challenging undertaking for a small, isolated municipality. Spread over more than 2100 acres, the base included 350 structures: hangars and barracks, supply depots, fuel-storage tanks, clubhouses. There were two runways, three miles of railroad track, 17 acres of streets and parking areas, complete electrical, water, sewage, and storm-drainage systems. In all, the installation represented an investment of \$19 million. How could this formidable military machine be transformed to save Presque Isle from ghost-town oblivion?

Under state charter, a seven-man Presque Isle Industrial Council was established, with two city councilmen and five civic-minded local businessmen and professional men as members. Hired as director was energetic, 32-year-old James K. Keefe, who had been executive manager of the local chamber of commerce from 1956 to 1960.

As a first step, Keefe and the Council persuaded the Maine legislature to authorize \$250,000 toward a vocational training school in the Presque Isle area. For this purpose the federal government conveyed to Maine 80 acres of the air-base land, 36 buildings, \$150,000 worth of surplus furniture, shop tools and machines. Then, at the Council's urging, local school-district administrators convinced the State Board of Education of the need for a new junior high school, on 23 acres to be donated by the General Services Administration (GSA)—the government's

property-disposal arm. Also, since Presque Isle lacked a municipal airport, Keefe and his colleagues were able to go to the Federal Aviation Agency and obtain for this purpose the gift of 1500 additional acres, including the two runways, three hangars and other buildings.

The Defense Department retained a 105-acre housing development. That left 440 acres, with six missile hangars, nine warehouses, 12 miscellaneous buildings and the railroad track. It was this parcel that the Council hoped to buy and convert into a job-creating industrial center. When independent appraisers for the GSA could find no industry or business interested in buying the strange package, buried in the Maine backwoods almost 400 miles from Boston, it was offered to Presque Isle for what was believed to be its scrap value: \$56,000.

Even at this rock-bottom figure, many local voters opposed the purchase, declaring that the proposed Skyway Industrial Park (Keefe's name for the project) would saddle the city with a large white elephant. To convert them, Keefe used newspapers, radio and television, plus sidewalk buttonholing. Soon all but a diehard minority were convinced.

At Keefe's prompting, townspeople wrote to friends and relatives elsewhere, seeking leads to industries for Skyway Park. He himself sent some 5000 letters to wood-using manufacturers, potato-processors and others likely to be attracted by the ready-made buildings, moderate

PRESQUE ISLE POINTS THE WAY

taxes and the area's abundant timberlands, food crops and electric power. A plywood corporation and several other firms agreed to sign leases when the city acquired the property. Then, in November 1961, Presque Isle concluded a purchase agreement with the GSA and received an interim permit to utilize the Park, pending issuance of clear-title papers.

The buildings remained untenanted all through that bitter winter, however. Interested companies refused to move in until the GSA gave Presque Isle clear title—and Washington red tape was delaying the papers. "Keefe's Folly," the opponents of Skyway Park began to snap angrily. Besides the \$56,000 purchase price, the "white elephant" had swallowed \$12,000 in legal costs and was biting big chunks out of a \$20,000 fund allotted for heating and upkeep. To make matters worse, a number of the older buildings began to show wear and tear.

Keefe stepped up his drive to obtain Park tenants. He advertised steadily in trade journals. He compiled a quick-reference sales kit containing facts and figures, plus photographs, of Presque Isle and Aroostook County—solid data from federal, state and municipal sources and from topnotch technical studies. "With this," says Keefe, "I could show interested businessmen exactly what our riches were, in facilities and raw materials, and how close at hand they lay.

"For example, when the question

of long-haul freight costs to big-city markets came up, I produced letters from railways, truckers and regulatory agencies to prove that specific bulk shipments of wood products, shoes or what-have-you would be charged at the 'commodity' rate rather than at the higher 'class' rate for individual items. Air transportation? Our terminal was within five minutes' *walking* distance of the industrial buildings. Labor? We had a surplus, and reasonable wage scales. Housing? Again a surplus, with moderate rents."

To owners of relatively small enterprises, Keefe had an extra inducement to offer: the Council's help in resolving management problems, labor disputes and other questions that often plague small firms lacking the legal, financial, tax and public-relations staffs of giant corporations.

Finally, on May 1, 1962, the GSA passed clear-title documents to Presque Isle in return for a \$56,000 check—and immediately Keefe's labors began to pay off. The Indian Head Plywood Corp. signed a long-term lease for four of the missile hangars. Its 200 full-time employees now produce 6000 tons of wood veneer a year. The International Paper Co. rented an acre-size hangar for a corrugated sheet-cardboard plant that employs 50. The Aroostook Shoe Co. moved into the remaining hangar and now employs 375 workers. Other tenants include the Consolidated Printing Services, a propane-gas corporation, the University of Maine Agricultural Experiment

PRESQUE ISLE POINTS THE WAY

Station, a farmers' cooperative dairy, the county's largest independent wholesale grocery, and a manufacturer of wooden wagon wheels for ornamental purposes.

The Council has unflaggingly cooperated with the Skyway Park enterprises. When Indian Head and International Paper each asked for a railroad spur from the existing 3.3-mile track, Keefe and his associates scratched their heads over the cost and hit on a canny solution. Instead of digging into Council funds to construct the spurs, they persuaded the Aroostook Valley Railroad to lay the total 2.7-mile spur trackage—in return for outright ownership of the whole six miles.

The Park's 29 new tenants now employ 900 workers whose annual payroll totals \$2,700,000—more than was paid out by the former base. In addition, the Council last year received \$71,000 in rent from its lessors and the city \$44,600 in personal-property taxes. In less than four years the Council has repaid the municipality's \$56,000 and other disbursements on its behalf, and operations are in the black.

The town's total annual industrial payroll, \$900,000 after the base closed, soared to \$7 million in 1965; unemployment has dropped from 20 percent to only four percent; retail sales are \$1,400,000 higher than in 1961; municipal-tax income is up 20 percent; property valuations have grown by \$3,800,000. Finally, deposits in the Northern National

Bank have risen from \$35,800,000 in 1962 to \$56 million today. In short, Presque Isle has moved into an unparalleled boom.

And there is more than financial success to show. In the Northern Maine Vocational-Technical Institute, opened at the former base in 1963, 18 instructors now teach 167 high-school graduates automotive service and body repair, building and electrical construction, sheet-metalwork, practical nursing and secretarial skills. The new \$800,000 junior high school, completed on base property in 1963, has 550 students and 21 teachers. And to serve what is now Maine's largest municipal airport, the base's former fire-and-crash station was converted into a modern passenger terminal for Northeast Airlines and private planes.

Today, practically all stores and housing units in Presque Isle are rented, and plans are under discussion to lay out more streets and erect 50-family apartment blocks. A new \$250,000 library will be completed this spring, and officials of the town's hospital are planning a \$1,200,000 extension.

For other communities faced with economic dislocation due to the changing defense needs of the country, Presque Islers have pointed the way. They have shown once again that initiative, imagination and a willingness to work hard are still vital assets—in fact, the surest road to success.

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Mr. WALDIE. Congressman Studds, from the State of Massachusetts is the next witness. Please proceed, Congressman Studds.

**STATEMENT OF HON. GERRY E. STUDDS, A REPRESENTATIVE IN
CONGRESS FROM THE STATE OF MASSACHUSETTS**

Mr. STUDDS. Thank you very much, Mr. Chairman.

Believe it or not, as a Congressman from Massachusetts, I am not here to express our regional paranoia at some of the recent events, tempting as it is to discuss the need for reasonable trimming of the military budget. As I understand the purpose of your subcommittee, that is not your focus here. The focus rather is on the manner in which base closings are handled when they do come about.

Mr. WALDIE. Right.

Mr. STUDDS. I am here today to testify about the transition from Defense Department control of Otis Air Force Base, on Cape Cod, in southeastern Massachusetts.

With those base closure announcement now only 6 weeks behind us and the Office of Economic Adjustment's report on future uses of Otis Air Force Base just a month old, it is too early to make an overall assessment of how the transition of Otis from Defense Department control has been handled. I certainly hope that the land and facilities at Otis that are not needed by the Coast Guard and Massachusetts National Guard will be utilized by the local people, in accordance with local community wishes. It is still possible that the outcome of present negotiations will, in fact, lead to such local control.

There are, however, two problem areas in the transition of Otis from Defense Department control that this committee should be aware of. First is the heartless treatment of the civilian employees at the base, even though laws exist that are supposed to prevent such abuses. Second is the frightful impact the Otis situation is having on the lives of local teachers. There exist, of course, no laws to help teachers who are thrown out of work because of the closing of a nearby base.

The present estimate is that over half the civilian employees at Otis Air Force Base will not be retained by the Air Defense Command or employed by the National Guard.

I am sure that this committee already is aware of the hardships caused by such loss of employment. Many of the employees have skills that cannot be used in private industry in southeastern Massachusetts. As a result, they must either pick up their families and belongings and move, or adjust to skills that do not have a comparable wage. According to letters I have received from these workers, the possible loss of health benefits is of particular concern to them.

Hopefully, legislation already introduced in Congress can help civilian employees in this position by providing special relocation and retirement assistance and preventing the loss of health benefits. But action needs to be taken on such legislation very soon.

What makes the situation at Otis unique, I think, is that none of the civilian employees at this base have yet been told whether they will be retained or fired. No detailed reduction in force notice has

been issued. Only general future requirements of the ADC and the National Guard at Otis have been released.

Unlike most of the bases being closed, Otis has been phasing down for some years now. The Office of Economic Adjustment visited the base to discuss conversion plans last October. Then suddenly a cloak of secrecy descended for 4 months preceding the April 17 Air Force announcement. In the meantime, no plans were made, no list of requirements issued. Civilian employees have been kept in the dark, month after month and are still in the dark.

Employees at other bases and in other agencies today are using the RIF they have in hand to take other positions now available, thus closing the door to Otis personnel. This is not how this system was meant to work.

Many Otis employees are close to retirement age and might consider retiring before the end of June to take advantage of the cost of living increase in their pension. Without the RIF notice, they do not really know what to do.

The hardship of unemployment hurts. However, the special uncertainty faced by civilian employees at Otis, I think is unnecessary and cruel.

As one employee explained his plight:

I was recently interviewed for a GS-12 position with another agency and I believed the position was to be mine as soon as the incumbent retired. Wednesday, May 29, I inquired of my superior . . . as to the rating given me on the referral forwarded to him. He advised me that if I left, he would have nobody left in Procurement with my capabilities; therefore, he did not give me the maximum rating, but rated me 'to the left'. A very selfish attitude that could leave me unemployed when the Base closes.

Those Otis employees who would like to be picked up by the National Guard face special problems because of the lack of coordination between Federal service and the Guard. To quote from a letter again:

The AF Reserves and the Air National Guard have an employment situation that is peculiar to them called the 'Technician, Title 32' program. To be eligible . . . one must be qualified as to civilian career but must join the unit as a military member. This injustice in my case is further complicated by the fact that I am a Colonel in the Air Force Reserve, and the 102nd ANG Wing has no openings for a Colonel, therefore, I cannot be employed as a Technician. I am told military retirees now employed as civilians at Otis cannot be hired in this program because of their retired status. I was just advised by another civilian that the 102nd ANG Wing does not normally advertise civilian positions so interested personnel could apply for consideration.

While much consideration hopefully will be given in Congress to civilian employees who lose their jobs because of base closings, few are aware of the special hardships faced by the Otis employees. Since the Defense Department indicates that many of these employees may continue to be kept in the dark about their future for some months to come, I would hope that this committee could help pressure the Pentagon into releasing the hard information about who is to stay and who is to leave—information that should have been given to these employees months ago.

MR. WALDIE. Gerry, let me interrupt you. You are about to start on another subject.

What is the response? I was not aware of this. What is the re-

sponse of DOD as to why RIF notices have not been given or indications of what is going to happen to these employees have not been provided—particularly in view of this June 30 deadline on early retirement?

Mr. STUDDS. I used to pride myself on the ability to communicate in the English language but I have had the most astonishing hours spent in face-to-face attempts at conversations with representatives of the Department of Defense asking just these questions and questions related to them. I have had the experience which I have never had before in my life of finding out after an hour or hour and half session of attempting to ask question after question as precisely and clearly as I could that I had, in fact, not only not cleared up the questions in my mind but for each question I asked it raised several more. Some of the representatives of the Department of Defense seem to be blessed with the capacity to use the English language in a way that utterly beclouds the question asked.

We do not know the answers and we do not know why there is such reluctance to give clear and simple answers.

Mr. WALDIE. Well, I think we can help.

Mr. Moakley, do you have any objection if we take a committee position asking the blunt, hard question as to what is happening up in Otis?

Mr. MOAKLEY. I would appreciate it very much because I have the same trouble as my colleague with the Boston Navy Yard.

Mr. WALDIE. The same situation?

Mr. MOAKLEY. We are more clear than they are, I am sure.

Mr. STUDDS. One of the remarkable things in our case is that clearly, at least in the Department of Defense, the fact that Otis was going to be closed has been known for sometime. It was not one of the surprises of this spring's announcements.

Mr. WALDIE. Is there a Defense Department representative in the room by any chance?

[No response.]

Mr. WALDIE. Well, Mr. Ernest Fitzgerald is on our staff, and he has had some experience with DOD.

Ernie, will you make some inquiries for the committee tomorrow on what the situation is on this and prepare the necessary correspondence, or the necessary meetings, with the Congressmen and with members of the committee if I am not here so that we get some resolutions before this June 30 expiration date for early retirement.

Mr. Devlin says that his understanding from the conversations and conferences is not authoritative, but is that—and this took place yesterday—that DOD may very well make this a nationwide reduction in force so they can take advantage of this early retirement legislation the Senate passed yesterday. So, we may get some quick answers on that.

Mr. STUDDS. I would add, Mr. Chairman, that the individuals with whom we have dealt in the Office of Economic Adjustment have been personally most cooperative in terms of making themselves available to answer questions in person or on the phone, both in Massachusetts and in Washington. It is just that we either cannot understand what they say or they do not say anything, and I think one of the problems is that there are too few people working there, working on too

many things. I think, for example, that the people particularly focusing on Otis are also focusing on a great many other things. And each one of those situations is so complicated in and of itself that I think it is difficult for an officer or representative of the Department of Defense to comprehend the impact on a local community of what, in his scheme of things, seems a fairly minor problem. As you will see when I briefly complete the testimony, Otis Air Force Base has part of four small towns on Cape Cod, one of which is responsible for the education of the children of its dependents. That town's school budget through the years has been over half impacted area aid.

Under any circumstances that is difficult, but when you compound this year's problem with the President's not being certain whether he is going to spend the funds appropriated by the Congress, whether they are going to be available, and continually changing his mind about what percentage of the law he thinks he might be willing to enforce this year, and then throw on top of it this uncertainty, you have a small town on whom the impact is really quite astonishing.

Mr. WALDIE. Please proceed.

Mr. STUDDS. Equally uncertain about whether or not they will have a job in the fall, and until now equally neglected by Congress, are the many dedicated people who teach the children of Otis employees and military personnel in the local schools. The situation is particularly acute for teachers in the school system of Bourne, Mass. which runs four schools on the base itself and which relies on the Federal reimbursement for this service.

For 2 years Bourne has been asking the Federal Government for figures on how many civilian employees and military personnel would be at Otis after the Air Force left so the town could plan a smooth transition of its school system. It was not until last week that the Defense Department produced even an estimate. As Bourne's superintendent of schools recently explained in a letter to me:

How do we possibly plan our school operation for the coming school year in the absence of such knowledge? How do our teachers plan their futures not knowing whether or not they will have a job?

I have here a letter from Bourne's superintendent of schools which details how for 2 full years the town of Bourne, and this is a small town, Mr. Chairman, and the teachers in Bourne's school system have been left uninformed in the very same way as the civilian employees working at Otis, and I would ask that this letter be included in the hearing record.

Mr. WALDIE. It will be, without objection.
[The letter follows:]

BOURNE PUBLIC SCHOOLS,
Bourne, Mass., June 4, 1973.

Congressman GERRY E. STUDDS,
Longworth House Office Building,
Washington, D.C.

DEAR CONGRESSMAN STUDDS: Please find below a listing of the developments on Otis Air Force Base as they have occurred over the past 15 months and the impact they have had on the Town of Bourne, the school system and its personnel.

(1) The level of operation of a school system is predicted on the level of its student enrolment. Budgetary and staff needs are determined by the number

of students within the school system. From September 1971 to February 1972, the Bourne School Committee constructed its school budget for the fiscal period January 1, 1972 through December 31, 1972. As in past years, the current level of student enrolment on Otis Air Force Base was utilized to project future budgetary needs. The impact of Otis Air Force Base on the 1972 budget was substantial; 43% of our students lived on Otis. This budget was approved by the town at its annual meeting on March 6, 1972. On March 27, 1972, the Bourne School Committee made its staff reappointments for the school year 1972-1973 again based on the current level of federal student enrolment.

On March 28, 1972, a brief news story out of Washington indicated that the Air Force would be evacuating Otis Air Force Base and that it would become an Air National Guard Base. This was the first inkling that we had of any change in the status of Otis Air Force Base. Three weeks after the town had approved our school budget and one day after the school committee had made its staff reappointments, the announcement out of Washington made these actions irrelevant. The months spent in financial and staff planning were rendered meaningless and futile.

At what calendar date the actual decision concerning Otis was made, we have no knowledge. It is hoped that this decision was given lengthy consideration prior to its announcement on March 28. In view of the overwhelming impact of Otis Air Force Base on the Town of Bourne and its school system, on its finances and on its people, it is unreasonable to ask why, at the very least, the town was not given some indication of the decision being considered relative to Otis Air Force Base. The method in which this situation was handled indicates an arrogant insensitivity to the effect of such decisions at the local level.

(2) Having been provided no information on the level of "A" student enrolment on Otis Air Force Base to be expected for September 1972 and having no idea of the amount of federal funds we would be receiving, the Bourne School Committee met in emergency session on April 10, 1972 and rescinded its previous appointments. The Committee then voted to not reappoint all 105 non-tenure teachers. This action was mandated at this time by the requirements of state law.

Thus, on April 16, 105 teachers suddenly found themselves not reappointed and not knowing whether or not they would have a position in Bourne for the next school year. The timing could not have been worse. February, March and April are the months in which school committees' carry out their recruitment and make appointments for the next school year. To find yourself without a position on April 10 places you at a distinct disadvantage. The surplus of teachers on the job market added to the depressing situation.

The staff morale of this school system plummeted and has continued to remain at a low ebb to this day due to the insecurity and tenuousness of employment. The emotional stress which has been placed on our non tenure teachers is incalculable. Teachers with family responsibilities face bleak prospects. Several who had wished to make their home in town were forced to move out of the area when they were fortunate enough to find employment elsewhere. The human distress occasioned by the developments on Otis and the manner in which they have been handled has been excessive and, to an unfortunate degree, unnecessary.

(3) After the announcement of the Air Force on March 28 concerning Otis Air Force Base, the key question for this school system was what level of student enrolment we would have on Otis Air Force Base as of September 1972. Obviously, such information was needed in order that we might proceed and organize the schools on Otis Air Force Base and our high school in town. Most importantly, it would enable us to determine our staff needs so that our teachers who had not been reappointed would at least know whether or not they would have a position in the Bourne School System for the next school year. It was not until the end of June 1972 and only after persistent inquiries on my part was any information forthcoming from the Department of Defense.

Unfortunately, the data we were provided was obviously erroneous and of no value. The data from the Department of Defense stated that we would have 683 "A" students in the schools on Otis Air Force Base. In point of fact when we did eventually open the doors in September, we had 1280 "A" students. Their data stated that we would have 1067 "B" students within our town schools. When we opened our schools in September, we had 380 "B" students in our town schools.

Thus, we were provided with no reliable information as to what enrollment we might anticipate in September. We were faced with the necessity for opening our schools in two months with no idea of what federal student enrollment we would have. Confusion and chaos reigned within this school system. Discouraged as we were by the lack of cooperation and communication from the federal authorities, even more saddening was the evidenced callousness for the plight of the students and teachers in this school system.

(4) During the third week of August of 1972, we made our own census of the student enrollment to be expected in September 1972. As indicated previously, this census showed that we would have 600 more students than the Department of Defense had stated that we would have. Thus, with two weeks left to go before the opening of schools, we were faced with the herculean task of reorganizing our schools on base, opening up another school on the base and hiring an additional 30 odd teachers. One can imagine the work load and stress this situation placed on this school system. All of which was unnecessary, if we had been provided with valid information at an earlier date.

The problems that this situation created for us were enormous. Schools cannot be organized with the optimum effectiveness in a two week time period. The last two weeks in August are not the most propitious time period for securing high quality teachers. The quality of our educational programs has been negatively affected throughout the 1972-73 school year. It has been the students in this school system who have suffered and been irretrievably penalized by our inability to organize the schools in the most effective manner due to the lack of cooperation from Washington.

(5) From April through August every effort was made by the town of Bourne officials—selectmen, school committee and myself to obtain hard information as to the ultimate status of Otis Air Force Base and most particularly the disposition and the level of occupancy of the 1193 housing units on Otis. Meetings were requested and held within the town, on Otis Air Force Base and in Boston and Washington with state and federal officials involved in this Otis situation. Endless correspondence was transmitted to all federal agencies and officials even remotely associated with this situation. No productive information was forthcoming.

Finally, late in August a meeting was held in the Governor's office in Boston. Present at that meeting were Air National Guard representatives, federal, state and local officials. We were informed at that meeting that the Air National Guard would be taking over the base and most particularly the base housing. The Air National Guard officials indicated that they would fill the base housing with federally connected families. We were all elated at this information. We would shortly be in full operation with full employment; we were assured of future stability for this school system.

This state of euphoria existed until October 18. At that time, a Committee from the Office of Economic Adjustment visited Otis Air Force Base, and stated that while the Air National Guard had applied for the housing it had not been approved. This Committee indicated that present law prohibited the Air National Guard personnel from residing in the housing on Otis Air Force Base. Air National Guard officials countered that no federal law prohibited their occupancy of the base housing. We were left dangling and in a constant state of uncertainty until the report of the Economic Adjustment Committee was released on April 30, 1973. A subsequent meeting with the Economic Adjustment Committee officials in early May in Boston indicated that the Air National Guard application for the base housing had been rejected.

One can imagine the effect the developments during this period had on this school system and its personnel. In August of 1972 all our problems were resolved; in May of 1973 we still don't know the future of the housing on Otis Air Force Base with its corresponding impact on our school system.

It would seem that the federal government should not have required eight months to make their decision on the Air National Guard occupancy of the base housing. In view of the impact of this decision on this town, it would seem that proper guidance could have been rendered to us at an earlier date.

(6) In view of the uncertainty of the Otis Air Force Base situation and our lack of information as to the number of students we would have on base in September 1972 and how long these students would be with us during the school year, all non-tenure teachers hired for the 1972-73 school year were employed under conditional contracts. Their contracts could be terminated at

any time during the school year. Thus, these teachers have existed in a continual state of job insecurity and uncertainty.

(7) In September of 1972, the Bourne School Committee began its work on an 18 month school budget for the period January 1, 1973 through June 1974. As indicated previously, the basis of a school budget is the anticipated student enrolment. In August we had been told by the Air National Guard that we would have full occupancy of the base housing. In October, we learned that no decision had been made on the application of the Air National Guard for the base housing. This uncertainty existed throughout the months of the construction of the school budget.

The essence of the dilemma that we were confronted with was that if we overestimated our federal enrolment, we would not have sufficient federal funds to cover the costs of operation in the income portion of the budget. If we underestimated the number of federal students, we would not have sufficient expenditures to provide these additional students with an educational program. In the absence of any information as to the student enrolment we would have during the 18 month budgetary period, it was a hopeless situation. Ultimately, it was decided to formulate the budget on the basis of the current federal "A" enrolment, 1280 students. The school budget was approved at our town meeting on March 5, 1973.

Almost eerily, the events of the preceding year repeated themselves. A news story out of Washington four days later indicated that Otis Air Force Base was being phased down. On April 11, at a meeting of the Secretary of Defense, Elliot Richardson, and the Congressional Representatives of this state, these news stories were confirmed.

The question again arises, in view of the impact financially and educationally on this school system and this town, why couldn't we have been informed at an earlier date of the decisions obviously already arrived at by the Department of Defense? How can they so callously disregard the effect of their decisions on those of us at the local level?

(8) Having been given no knowledge of what student enrolment to anticipate, our school budget for the calendar period January 1, 1973 through June 30, 1974 was predicted on the current student enrolment of 1280 "A" students. Since that time a freeze placed on the base housing, of which we were given no advance knowledge, has already reduced our "A" student enrolment to 997. We will not receive the federal funds we anticipated for the period January through June 1973. Our enrolment for September 1973 and through the ensuing school year remains uncertain but will obviously be less than the 1280 students on which the budget was constructed.

It is impossible to reduce expenses commensurate with a reduction in student enrolment. During the last three months we have lost 300 "A" students, but have only eliminated two teaching positions. Yet, federal funds are based solely upon attendance of students.

There is an overhead of costs in any school system to which we expected the federal government to contribute their share. It is now evident that the federal government will not be contributing the share that we anticipated in constructing this budget. As our federal enrolment dwindles, the per pupil cost for town students will increase. We have no funds in our budget to absorb this increased cost.

This town is now faced with the necessity of a special town meeting in the fall of 1973 in which the town will be asked to raise additional funds to cover the federal deficit. This will have a cataclysmic effect on the financial structure of this town, a chronically depressed economic area as designed by the federal government. Why couldn't the Department of Defense have provided us with the necessary information so this chaotic situation could have been avoided? Were our requests for information so illegitimate or unreasonable that they were not worthy of response?

(9) As of this date, we have no knowledge of what enrolment to anticipate on the base during the coming school year. Numerous figures have been advanced as to the federal occupancy on Otis Air Force Base during the coming year. No federal agency has stepped forward to assume those responsibilities for the base housing. If no agency assumes this responsibility, it is possible that there will be no federal occupancy of the base housing after December 1973 when the Air Force terminates its responsibility. Thus, there may be some 600 plus federally connected families living on Otis during the next

school year and there may be none. We do not know how many students to expect in September and how long they will be with us. How do we possibly plan our school operation for the coming school year in the absence of such knowledge? How do our teachers plan their futures not knowing whether or not they will have a job?

(10) Again, 12 months later in April of 1973, all non-tenure teachers have not been reappointed. It now appears that a few will be rehired; most will not be reappointed. The pallor of uncertainty again hovers over this school system. It should be noted that these teachers and other non-professional personnel who will lose their jobs will not receive any assistance from the federal government. They will not be offered any job opportunities in other areas; they will not be given any financial benefits upon the termination of their employment; they will not even be eligible for unemployment benefits. These people were brought here by the federal presence on Otis Air Force Base. With the withdrawal of the federal presence does not the federal government have some obligation to assist these people? I have been assured by the federal authorities that the answer is "no".

11) There are 1193 housing units on Otis Air Force Base. The situation at the present time is that the federal government may occupy some 600 units or they may occupy none. The Economic Adjustment Committee has proposed that all housing units not occupied be turned over to the state. All these housing units are located within the Town of Bourne. It is the responsibility of this town to provide an education for the children residing within these housing units. There will be no federal or state funds available to pay for the cost of educating the children residing in these housing units. This overwhelming financial burden must inevitably fall upon the Town of Bourne. Its effect will be cataclysmic upon an already depressed economic area.

This potential financial disaster has been repeatedly stressed by all local officials. To this point, we have received no meaningful response but rather a semblance of indifference and lack of concern. The federal government created this problem that now threatens potential financial disaster for this town. It does not seem unreasonable to expect that the federal government should provide a solution to the problem that it has created.

(12) On October 18 and 19, 1972, the Economic Adjustment Committee held a series of meetings on Otis Air Force Base to provide local representatives with the opportunity to have an input into the ultimate disposition of the base. Some 75 local, state and federal representatives attended these meetings. At their conclusion, we were informed that we would have a copy of the Committee's report which would list their recommendations during the month of November. The Committee would then return in December to discuss the local reaction to their report.

In early May, a copy of the Committee's report dated April 30 was finally obtained by our Congressman and forwarded to this town. A meeting was held in Boston at our request with officials of the Economic Adjustment Committee. We were informed there that we had 45 days to respond to this report, the 45 day deadline having commenced at a preceding date. We waited 7 months for this report and are now given 45 days to respond to it. In view of the complexities of the problems and the multiplicity of individuals, agencies and governmental units that would be involved in developing a response, the 45 days deadline was totally unrealistic.

I hope that the foregoing will be of some assistance to you. I regret that more time was not available in order that a more thorough job could have been done.

Sincerely,

ROLAND T. BROWN,
Superintendent of Schools.

Mr. STODDS. Two sentences seem of particular importance though, and I would like to quote them for you:

It should be noted that these teachers and other nonprofessional personnel who will lose their jobs will not receive any assistance from the Federal Government. They will not be offered any job opportunities in other areas; they will not be given any financial benefits upon the termination of their employment; they will not even be eligible for unemployment benefits.

One teacher, who just started this year, is married to an engineer. Her husband recently lost his job and she is desperate lest she lose her new job as well. Another teacher spent many years working on his graduate degree. This year he earned the degree and got a job teaching the children of Otis personnel, but now he must be let go. One couple bought a house last year and now must sell it at a loss. Two divorced teachers who may not be rehired have children and may be forced to go on welfare. It is very late now in the year for a teacher to be looking for a job for the fall.

These people were brought to Otis Air Force Base by the Federal presence. But with the withdrawal of the Federal presence, nothing is being done to assist them.

Moreover, just as with the civilian employees on the base, the hardship of unemployment has been made doubly difficult because no one knows for sure yet who can be kept on and who must be let go. Until the Air Force comes up with final figures for civilian and military employees at Otis, many will continue to be kept in the dark. This special uncertainty faced by both the civilian employees on the base and the teachers in Bourne is unnecessary and unjust.

It is really very difficult, as I say, to overemphasize the impact of this on a school system of a relatively small town over half of whose budget has been in the past dependent on this.

Mr. WALDIE. Mr. Moakley.

Mr. MOAKLEY. Yes, Mr. Chairman, in the first paragraph you make reference to the fact that you would like the facilities at Otis to be utilized by the local people. Which strata of the local people—State, city, town?

Mr. STUDDS. What we mean by that, Mr. Moakley, is in the manner desired by the local people. The Defense Department finally a good many months after they had promised it presented us or the people of the area with a proposal for the use of the facility. It was very difficult for anybody to plan because we were not told what parts of the facility the Air Force or Air National Guard or Air Defense Command wished to keep. In the absence of that knowledge, you did not know what kinds of facilities you had possibly to dispose of locally. Otis Air Force Base is a good many thousands of acres technically owned by the State of Massachusetts and leased on a very long-term lease to the Federal Government. It is an enormous facility in terms of handling aircraft, a great deal of housing and other related facilities for an airbase of that size. And it was not at all clear who would have what opportunity to make what decisions about the use of what parts of those facilities. And I must say that when the report came from the Office of Economic Adjustment, it was not a good deal clearer yet. It was one of those documents that was remarkable for its obtuseness. But people did wade through it. What we did, and what we were asked to do, was to get a local voice to agree, disagree, or attempt to amend the usages of the facilities recommended by the Office of Economic Adjustment. Our office served as a sort of catalyst in bringing together the four towns involved and the Office of the Governor who, as you know, has formed a statewide task force to deal across the State with the closings.

A local selectman has been appointed as spokesman for the four towns.

Hopefully, having served that catalytic role, our office of the Congressman can pull back and let those local voices, with the State officials, work directly with the Defense Department.

Mr. MOAKLEY. Isn't what happens in a situation such as this that DOD ultimately would give it to the GSA, and GSA would allow the State to have it. Then if the State did not want it, it would go down the scale?

Mr. STUDDS. That would happen if it were declared, as I understand it, if it were declared excess. If we can work out a prior agreement, we can avoid that step.

Mr. MOAKLEY. Isn't it automatically declared excess if they cease using it for the purpose—

Mr. STUDDS. Many of you members of this committee are more familiar with the law than I. It may be affected by the fact that this is not federally-owned land but rather federally-leased land. They may have more flexibility, particularly if they can get agreement from the communities as to what seems to be locally desirable.

One of the things people are frightened of on Cape Cod is the possibility of a commercial jet port. And there are in existing Federal law incentives for such a thing in the event property is declared excess and not picked up by any Federal agency. So we are quite anxious not to have that happen.

Mr. MOAKLEY. I think the only place in Massachusetts they are not afraid of a jet port is East Boston. They are stuck with it. Thank you very much.

Mr. STUDDS. Thank you.

Mr. WALDIE. How long was this base given prenotice of closing?

Mr. STUDDS. I do not think any formal notice was forthcoming until April. Although it was clearly general knowledge for a year or two before that it was to be done, if not closed, at least considerably phased down.

Mr. WALDIE. Given that general knowledge, what sort of planning took place locally and statewide for the eventuality of its being closed?

Mr. STUDDS. I think I can say to you with accuracy, little or none. And I know that may sound difficult to understand, but even today it is extremely difficult for local and State officials to plan, given the murkiness of the facts as they are presented to them. No one knew, as I say, if it were to be closed altogether or phased down, or what part of the core facilities the Air Force wished to retain. It is a major facility and it seemed likely the Air Force would not give up altogether the landing facilities and hangars and all the facilities there which apparently they do not intend to do. It is still not clear exactly what they will retain. There is a great deal of housing for example. There is a large Coast Guard air station there, the only one in the northeast, with a huge new multimillion dollar facility.

The commanding officer of the Coast Guard station there was as much in the dark as anyone else. He used to pick up the paper in the last few months and read with some fear and trepidation what seemed to be happening to the air base upon which he was located,

with all the fixed wing aircraft and helicopters available to the Coast Guard, with a brand new multimillion dollar installation, he just kept scratching his head and wondering whether they were going to close all around him or out from under him, or what.

This kind of mystery has persisted throughout. You will recall, now, I said in my testimony that last October the team from the Office of Economic Adjustment first visited the Cape. That was a good many months prior to any official announcement of the closing. Even when that official announcement came, it did not come with any degree of clarity about the nature of the closing.

Mr. WALDIE. At the time they visited, was there any indication from them that they had information that the base would be closed?

Mr. STUDDS. That was clearly implicit by the very fact of the visit.

Mr. WALDIE. I assumed that, but did they make such announcements?

Mr. STUDDS. Not in any but the vaguest and most general terms.

Mr. WALDIE. They discussed the conversion plans, I presume, with the local authorities?

Mr. STUDDS. No; that report was promised month after month after month and arrived—what, April 30, finally.

Mr. WALDIE. One of the questions the committee has been dealing with is whether a community and the affected civilian employees of the base are better served with long notice. What is your own view on that? If you had had say, 2-years notice as to precisely when they were going to do whatever they were going to do, or a year's notice?

Mr. STUDDS. I think a year at least would be in order if it were a notice with some accuracy and clarity of detail, especially down to the level of the individual employees concerned. As I tried to indicate in the testimony, we are not talking, as you well know, about whether or not this base should be closed—this has been a foregone conclusion for some time—but about the manner in which it was to be closed.

I think it has been done in a fashion that makes it absolutely impossible for anyone from the State to the town to the individuals employee to plan with any degree of certainty their own future.

Mr. WALDIE. I guess at this moment you do not really know whether it will be closed.

Mr. STUDDS. We have been told that by the end of the year it will have been turned over to the Air National Guard.

Mr. WALDIE. But that does not mean all employees—

Mr. STUDDS. We do not know what it means which I guess is, in sum, the gist of what I have to say this morning.

We have been told a great many things like that, which seem to be statements of great clarity but when you go deeper and say that is nice, it will be turned over at the end of the year to the National Guard, what does that mean in terms of the school system? We have not been told. Each answer turns out to be another question.

Mr. WALDIE. The plan you received a month ago provides no answers to those questions?

Mr. STUDDS. Well, out of sympathy to the committee I will not introduce it into the record.

Mr. WALDIE. If it is that bad, we ought to have it.

Mr. STUDDS. It is difficult to read and it is a complicated thing and I am not sure the situation of that local nature is of interest to the committee.

We would be glad to make it available to you, though, if you wish.

Mr. WALDIE. I think it is of interest because what we are trying—there are a number of areas we are inquiring into but one is this: Is this committee from the Department of Defense that is supposed to assist the local community in reconversion in fact performing a responsible function, or should it be transferred from the Department of Defense into another agency such as the Department of Commerce?

There is a theory that the Department of Defense is hardly the body within which should be vested the only governmental agency to determine when and how military bases should be converted to peacetime uses.

Conversion would seem somewhat inconsistent with the desire of the Department of Defense to keep itself large as long as possible.

Mr. STUDDS. We are, as you know, dealing with a cabinet level interagency committee on economic adjustment, I guess the guts of which come from the Defense Department's Office of Economic Adjustment.

Mr. WALDIE. But the staff and continuing operation is a DOD facility, as we understand it.

Mr. STUDDS. Right.

Mr. WALDIE. Do I gather that this report they have come up with has few answers to the problems which you have presented to the committee?

Mr. STUDDS. It has a number of proposals of a very complex nature of what they would like to see done in terms of towns taking over various kinds of things. It did not leave the towns very much time first of all to absorb and respond to it. We were faced with a deadline as you know.

Mr. WALDIE. The towns did not participate in the planning of it, development of it?

Mr. STUDDS. No; except to the extent that a visit was made by the staff of the Office of Economic Adjustment last October.

But a report was promised imminently, as I say, and it finally appeared at the end of this April.

Mr. WALDIE. I would like to have that left with the committee.

Mr. STUDDS. Be very happy to. I can assure you that the report was eagerly anticipated when it finally was delivered.

The town certainly did not feel that they had any idea what was going to be in it.

Mr. WALDIE. I presume that the towns have not learned anything from this report.

Mr. STUDDS. I am not sure I would characterize it as that. They have spent a good many days reading it and then began the meetings which we catalyzed, as I said.

We had 45 days from the issuance of the report to a terminal date upon which agreement had to be reached between the local communities, the State, and Office of Economic Adjustment or else we were told the base would be declared excess. Heaven knows what changes that would set into effect. That 45-day period I did not

think was particularly generous, given the fact in many ways people were starting from scratch, at least with this report. I requested of the Secretary of Defense a 30-day extension and was told that would be granted if there was some indication that the towns looked like they might be willing to accept at least some significant parts of the report. That could be a direct quote. I am not suggesting it is, but it is the kind of language we had to deal with.

Mr. WALDIE. I would very much appreciate that correspondence being provided to the committee.

Mr. STUDDS. We have, incidentally, been granted the 30-day extension.

Mr. WALDIE. But that is entirely contrary to the sort of attitude we were led to believe yesterday from the testimony of the people involved in that DOD office.

We gathered that they simply are there to be of assistance, that they are not compelling or urging or directing. They advise at the request of the local communities, and only come in when the local communities request them to come in, and they are the servant of the local communities. That was precisely the attitude I got yesterday.

Mr. STUDDS. May I say a final thing on behalf of the people with whom we have dealt in the Office of Economic Adjustment? As I indicated before, I do think there are too few of them and that they are considerably overworked.

Mr. WALDIE. There are 18 people on the Washington staff, including their secretaries.

Mr. STUDDS. If, in fact, that number of staff is dealing nationwide, that is patently absurd.

Mr. WALDIE. They also have regional offices, one for each of the four regions.

Mr. STUDDS. You can imagine how important the town of Bourne would be to a staff of that size.

Mr. WALDIE. I would suspect very unimportant.

We will probably, in the proceedings of these hearings, call the representatives of that committee back before us.

They told us then what they did. Now, we are trying to learn how well they do what they tell us they did. We might call them back and ask them specific questions on specific projects.

Whether we get them before the committee for that purpose or not, we will direct letters and written inquiries, copies of which will go to you on this particular problem, and find out what has been done.

If you have any particular specific inquiry you want presented by the committee, please convey it to us.

Mr. STUDDS. I appreciate that, Mr. Chairman. I appreciate the opportunity to appear before you. We will make that report available to you and I think you and the members of your committee for at least an attempt to inject some humanity into this giant of a Federal Government we all seem to be swallowed up in.

Mr. WALDIE. We appreciate your appearing before us.

Mr. MOAKLEY?

Mr. MOAKLEY. I have no further questions, Mr. Chairman. Thank you very much.

Mr. WALDIE. The next witness is Congresswoman Margaret M. Heckler.

Mrs. Heckler, will you proceed, please. Do you have a statement?
Mrs. Heckler. I do, Mr. Chairman, and I will leave it with you.
I would merely like to adjust certain paragraphs.
Mr. WALDIE. Fine. We will include it in its entirety in the record.

**STATEMENT OF HON. MARGARET HECKLER, REPRESENTATIVE IN
CONGRESS FROM THE STATE OF MASSACHUSETTS**

Mrs. HECKLER. I would like to thank you very much for the opportunity to appear before your committee. While this is the usual congressional courtesy, I want to underscore today because all of us concerned with the base closings have felt that no committee of this Congress has extended a sympathetic ear.

That is just one of the problems that we have faced. When we asked for a further detailed investigation of the closing decisions, there was no vehicle except for your responsiveness.

The basic facts have been brought out by other witnesses, so I will not belabor them now. I would like to point out, however, that my congressional district which is the 10th Massachusetts, extends from Wellesley, a suburb of Boston, down through southeastern Massachusetts to Fall River and Westport.

These bases are all within 30 miles of my district, and one might well say that this district is the hub of a circle of disaster. We all know by now that the closing of the Boston Naval Shipyard, Quonset, and Newport in Rhode Island represents nearly half the civilian jobs that are being eliminated nationally by the base closings.

My District contains the bedroom communities for a good portion of the workers from the various installations. Therefore, this area suffers in a primary sense—and when the economic multiplier effect is considered, the closings can be seen as a very cruel blow to the economy of the entire States of Massachusetts and Rhode Island.

While I have always supported an adequate national defense posture, I also have supported specific cuts in the military budget, where they are warranted.

One of the unanswered questions in the consideration of the base closings is the impact on our defense posture. We can see and assess the economic impact, however the basic justification, both in economic and military terms has not yet been offered to the people or to the Congress.

Now, the economic loss to the State of Massachusetts has been estimated as high as \$1.7 billion (a figure that Congressman Moakley is also familiar with). However, the cost to the 13,000 workers affected is even more serious, and must be measured in human terms.

Mr. Chairman, they will lose their jobs, jobs that they, in many cases, have held their entire working lives. Although some will have the option to be transferred, it is expected that 9,000 workers in Boston will be terminated.

This is occurring in a State where the unemployment rate is presently 7.2 percent. The economic future for these men and women looks very, very bleak.

In Fall River, the major labor market in my district, the unemployment rate already is over 8 percent.

Now, when you add 9,000 workers to the 182,000 currently jobless in Massachusetts, the prospect for early relocation is not bright. This problem is compounded by the age of the work force. Forty percent of the employees of the Boston Naval Shipyard are between 45 and 54, 28 percent are over 55, 68 percent are over 45. Their employment options are limited by virtue of their age and the reluctance of employers in general to hire older men and women.

A study by the Arms Control and Disarmament Agency of base closings concluded that displaced workers who decide to continue their career as Federal employees experience a marked change in their employment status. Some had to accept lower-grade positions in order to do so. Nearly all the employees who continued to work for the Federal Government had to relocate outside the local labor market area.

Now, these workers are being asked to bear the burden of a decision that is believed to be in the national interest.

However, the national interest in this case has not been defined. I believe the Nation deserves a definition and an answer. I also believe we have a responsibility to ease the burden as much as possible.

It is very difficult, for example, to understand how any newly-established or future shipyard will duplicate the skilled workforce that for years has made the Boston Naval Yard an outstanding facility. Obviously a cost is involved in developing a new workforce with the high degree of training and expertise needed for ship repair.

Now, Senator Carl Curtis of Nebraska has said that the closings, both in New England and in other parts of the country, have been highly political. He has also estimated the moves will cost the taxpayers more than the Pentagon claims they will save.

We, in New England, do feel there is a real question of regional discrimination. If a valid and objective case were made that these installations were not in the best interest of efficiency and national defense, I would not argue that they should be retained.

However, the argument of national defense or actual efficiency has not been made by the military with any substance. I do feel that the people of New England should be treated fairly, vis-a-vis other regions of the country.

Two weeks ago I decided to look into these charges of regional discrimination, to determine whether or not there was substance to the allegation. I wanted to see the analyses and justification studies which led the Pentagon to the decision to close New England bases viz-a-viz alternate locations.

I wanted to determine for myself whether or not these decisions would, in fact, save the taxpayers money, or whether their claimed savings were as effervescent as champagne bubbles.

I also wanted to know the depth of analysis that went into the determination of the economic impacts of the actions, if indeed any analysis was made. The material provided to Congress, in the required section 613 congressional reports is really a joke.

These reports on each closing average about 3 pages and consist of no analysis of alternatives. They are merely statements of conclusions.

The numbers could be completely bogus. They are never justified.

And there is no way for a Member of Congress to check. And of course the reports say that everything was fair and square. At this point I will include for the record copies of the 613 reports.

[The reports follow:]

[613 Congressional Report]

QUONSET POINT COMPLEX, QUONSET POINT, R.I.

PLANNED ACTION

1. Disestablish the Naval Air Station, Quonset Point and the Naval Air Rework Facility.
2. Relocate Air Anti-Submarine Warfare Squadrons to NAS Cecil Field, Florida; Fleet Helicopter Anti-Submarine Squadrons to NAS South Weymouth, Massachusetts; Antarctic Development Squadron SIX to NAS Point Mugu, California; Fleet Aviation Specialized Operational Training Group to Norfolk, Virginia.
3. Relocate one ammunition ship to Bayonne, New Jersey, and one ammunition ship to Charleston, South Carolina.
4. Reassign workload of the Naval Air Rework Facility.

DISCUSSION

The planned actions are a part of an overall effort to realign the shore establishment commensurate with programmed reductions of the operating units of the Fleet. The reduced force levels have resulted in the suspension and cancellation of a substantial amount of aircraft rework for FY-1974 and beyond.

The deactivation of the Quonset Point Complex will result in annual savings of \$22.880M and a reduction of 1305 military and 1701 civilian manpower spaces. 127 civilian positions will be transferred to the Naval Construction Battalion Center, Davisville, Rhode Island. One-time cost to implement this action totals \$20.773M.

INSTALLATION FACILITY DATA

1. *Location:* Quonset Point, Rhode Island.
2. *Date of acquisition of major part of installation:* 1941.
3. *Physical size:* Acreage owned, 3, 242. 8; acreage leased, 1. 4.
4. *Acquisition cost:*

Land	\$2, 790, 739
Buildings	94, 876, 125
Total	97, 666, 864

5. *Family housing:*

Type	Existing	Under construction	Approved not started
Capehart	0	None	None
Wherry	333	do	Do.
Leased Units	156	do	Do.
Other	1, 042	do	Do.

6. *Troop housing (number of spaces):*

	Dormitories existing	Under construction	Approved not started
BEQ:			
Permanent of ungraded	2, 271	None	None
Semipermanent/substandard	602	do	Do.
BQ:			
Permanent of ungraded	346	do	Do.
Semipermanent/substandard	0	do	Do.

7. *Hospital*: One with 104 bed capacity.
 8. *Major construction programs since 1968*:

Fiscal year program	Amount (millions)	Percent completed
1968	2.823	100
1969	1.159	100
1970	1.036	90
1971		
1972	8.061	(9)

\$3.511 million—15 percent complete. 4.550 million—0 percent complete.

QUONSET POINT COMPLEX, QUONSET POINT, R.I.

1. <i>Saving ultimate</i> :		
a. Manpower authorization		3,006
Military		1,305
Civilian		1,701
b. Annual fiscal (in millions)		\$22.880
Military pay		9.615
Operations O. & M.N.		13.265
2. <i>Construction costs avoided (in millions)</i> :		
Fiscal year:		
1973 and prior		\$5.096
1974		.850
1977		2.365
1978		.921
3. <i>Costs (in millions)</i> :		
Relocation of personnel and equipment		\$20.773
4. <i>Base changes resulting from this action only</i> :		

	Preceding action	Following action
a. Manpower authorization:		
Military	4,217	0
Civilian	3,389	0
b. Annual fiscal (in millions):		
Military pay	\$29.154	0
Operations (O. & M.N.)	\$63.219	0

[613 Congressional Report]

NAVAL COMPLEX, NEWPORT, R.I.

PLANNED ACTION

1. Disestablish the Naval Station, Naval Communications Station, Naval Supply Center, Public Works Center, Fleet Training Center and related activities.
2. Reduce the Naval Schools Command, Naval Hospital, and Naval Justice School.
3. Relocate ships and staffs to Naval Station, Mayport, Florida; Naval Station, Norfolk, Virginia; and Naval Station, Charleston, South Carolina.

DISCUSSION

The planned actions are a part of an overall effort to realign the shore establishment commensurate with reductions of the operating units of the Fleet.

The reduction of the complex will result in annual savings of \$18.385M and a reduction of 731 military and 725 civilian billets. One-time costs to implement this action are \$8.224M.

INSTALLATION FACILITY DATA

1. Location: Newport, Rhode Island.
2. Date of acquisition of major part of installation: 1883.
3. Physical size (acres):

Naval Station:	
Owned.....	838.45
Leased.....	.05
Naval Supply Center:	
Owned.....	858.86
Leased.....	.09
Public Works Center:	
Owned.....	416.82
Leased.....	16.62
Fleet Training Center:	
Owned.....	4.80
Leased.....	0
Naval Communications Station:	
Owned.....	343.03
Leased.....	7.41

4. Acquisition costs:

NAVSTA:		
Class I (land).....		\$266,458
Class II (buildings and installed equipment).....	42,366,324	
Total.....	42,632,782	
NSC:		
Class I (land).....		457,874
Class II (buildings and installed equipment).....	27,333,729	
Total.....	27,791,603	
PWC:		
Class I (land).....		434,800
Class II (buildings and installed equipment).....	41,142,152	
Total.....	41,576,952	
FLETRACEN:		
Class I (land).....		9,600
Class II (buildings and installed equipment).....	3,218,109	
Total.....	3,227,709	
COMMSTA:		
Class I (land).....		260,319
Class II (buildings and installed equipment).....	3,340,244	
Total.....	3,600,563	

5. Family housing:

Type	Existing	Under construction	Approved not started
Capehart.....	619	0	0
Wherry.....	200	0	0
Other.....	703	400	0
Trailer spaces.....	0	0	76
Total.....	1,522	400	76

6. Troop housing (number of spaces):

	Dormitories existing	Under construction	Approved not started
BEQ:			
Permanent or ungraded	3,384	504	0
Semipermanent/substandard	656	0	0
BOQ:			
Permanent or ungraded	345	0	0
Semipermanent/substandard	687	0	0

7. Hospitals: Hospital with 528 beds. Dispensary with 0 bed capacity.

8. Major construction programs since fiscal year 1967:

Fiscal year	Amount (millions)	Percent completed
1968	\$3.747	100
1969	2.875	(1)
1970685	100
1971	2.450	(2)
1972	4.170	(3)

¹ \$2.740 million—0 percent, \$0.135 million—70 percent.

² \$1.981 million—60 percent, \$0.325 million—50 percent, \$0.144 million—100 percent.

³ \$1.660 million—75 percent, \$1.335 million—100 percent, \$1.375 million—80 percent.

NAVAL STATION, NEWPORT, R.I.

1. Savings—ultimate:

a. Manpower authorization	1,456
Military	731
Civilian	725
b. Annual fiscal (in millions)	\$18.385
Military	7.646
Civilian pay and other O. & M.N.	9.889
NIF operations850

2. Construction costs avoided (in millions):

Fiscal year:	
1973 and prior	\$11.276
1974	3.172
1975	7.254
1976	12.224
1977	3.511
1978	5.652

3. Costs (in millions):

Relocation of personnel and equipment	\$8.224
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4. Base changes resulting from this action only:

	Preceding action	Following action
a. Manpower authorization:		
Military	15,833	2,671
Civilian	5,421	4,696
b. Annual fiscal (in millions):		
Military pay	\$118,316	\$27,128
Civilian pay and other O. & M.N.	\$78,044	\$55,912
NIF operations	\$7,740	\$6,890

[613 Congressional Report]

BOSTON COMPLEX, BOSTON, MASS.

PLANNED ACTION

1. Disestablish the Naval Support Activity, Naval Hospital Chelsea, Naval Shipyard, Marine Barracks and related support activities except as enumerated in 2 and 3 below:
2. Reduce the Commandant, First Naval District, Naval Investigative Services Office and the Armed Forces Police Detachment.
3. Retain the Naval Air Station, South Weymouth, Superintendent of Shipbuilding, Quincy, Naval Reserve Center, Naval Recruiting District, Armed Forces Examining Center, USS CONSTITUTION and NROTC and Administration Unit at Massachusetts Institute of Technology.

DISCUSSION

The planned actions are a part of an overall effort to realign the shore establishment commensurate with the programmed reductions of the operating units of the Fleet. The reduced force levels have resulted in the suspension and cancellation of a substantial amount of ship work for FY 1973 and beyond.

The reduction of the Boston complex will result in an eventual annual savings of \$23.980M and a reduction of 554 military and 5,338 civilian manpower billets. One-time costs to implement this action total \$33.054M.

1. Location: Boston, Massachusetts.
2. Date of acquisition of major part of complex: 1800.
3. Physical size:

	NAVSUPPACT	Hospital	Shipyard	Marine Barracks
Acreage owned.....	55.34	87.99	307.79	1.22
Acreage leased.....	1.05		.65	

4. Acquisition cost:

	NAVSUPPACT	Hospital	Shipyard	Marine barracks
Land.....	\$1,268,465	\$19,846	\$4,418,997	\$5,520
Buildings.....	6,714,437	6,910,588	85,549,208	324,691
Total.....	7,982,902	6,930,434	89,968,205	330,211

5. Family housing:

Type	Existing	Under construction	Approved not started
Capehart (hospital).....	12	None	None
Capehart (NAVSUPPACT).....	122	do	Do.
Leased (NAVSUPPACT).....	31	do	Do.
Other (shipyard).....	13	do	Do.
Other (NAVSUPPACT).....	50	do	Do.
Other (hospital).....	22	do	Do.

6. Troop housing (number of spaces) (shipyard/hospital/Marine barracks):

	Dormitories existing	Under construction	Approved not started
BEQ:			
Permanent or ungraded.....	354/275/139	0/0/0	0/0/0
Semipermanent/substandard.....	0/31/0	0/0/0	0/0/0
B00:			
Permanent or ungraded.....	20/50/0	0/0/0	0/0/0
Semipermanent/substandard.....	0/0/0	0/0/0	0/0/0

7. *Hospitals*: One with 488 beds. Dispensary and dental clinic at the shipyard.
 8. *Major construction programs since 1967*:

Fiscal year	Amount (millions)	Percent completed
1968 (shipyard).....	\$0.469	100
1969 (shipyard).....	2.645	100
1970 (shipyard).....	7.919	100

BOSTON COMPLEX, BOSTON, MASS.

1. *Savings—ultimate*:

a. Manpower authorization.....	5,892
Military.....	554
Civilian.....	5,338
b. Annual fiscal (in millions).....	23.980
Military pay.....	5.236
Civilian pay and other O. & M.N.....	2.184
Navy industrial funds.....	16.560

2. *Construction costs avoided (in millions)*:

Fiscal year:	
1973 and prior.....	None
1974.....	\$0.937
1975.....	None
1976.....	\$0.195
1977.....	\$10.648

3. *Costs (in millions)*

Relocation of personnel and equipment.....	\$33.054
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4. *Base changes resulting from this action only:*

	Preceding action	Following action
a. Manpower authorization:		
Military.....	1,649	634
Civilian.....	6,417	318
b. Annual fiscal (in millions):		
Military pay.....	\$15.035	\$5.557
Civilian pay and other O. & M.N.....	\$14.671	\$4.848
Navy industrial funds.....	\$91,838	0

Mrs. HECKLER. As a result of the inadequacy of the 613 reports, I then requested documents known as the Case Study and Justification Folders, which contain the actual detailed analysis of each base closing and transfer.

The Pentagon claims its decision to close the bases was based on evidence in these files. The Navy, after first agreeing to provide the information, called and informed my office that the Navy refused to release the files claiming that they were "internal documents."

To make matters worse, when the same information was requested from the Air Force officials, they claimed analyses of the Hanscom and Otis Air Force Bases had been partially destroyed. Apparently the wisdom of the Air Force is extremely ephemeral.

Mr. WALDIE. Would you provide that correspondence for the committee that we might include it in this record?

Mrs. HECKLER. Mr. Chairman, unfortunately, these were conversations with my staff extending over 3 days, and involving at least 12 different conversations with two different staff members. Navy officials were initially cooperative, but became less cooperative and finally they said that these were internal documents not available to a Member of Congress.

Mr. WALDIE. I think we should get a written statement from Navy to the effect that those documents are not available to us.

I would like also a statement from the Air Force that those records have been burned. How did they say that occurred? Was that on purpose or by accident?

Mrs. HECKLER. Simply that they had been partially destroyed. This was material in the Justification Folders.

Mr. WALDIE. I think we ought to clarify that. I would like to get it clarified for the committee. As a matter of fact, we will make the inquiries also. I would suggest you make a written inquiry, but we will, on behalf of the committee make the identical inquiry.

Mrs. HECKLER. Well, I certainly would appreciate your looking into it as well. I have already appealed to the Secretary of Defense, James Schlesinger, requesting that he direct the Navy to deliver the requested material to my office as soon as possible.

I would like to insert in the record a copy of my letter to Secretary Schlesinger.

[The letter follows:]

MAY 30, 1973.

*Secretary of Defense, Designate,
The Pentagon,
Washington, D. C.*

DEAR MR. SECRETARY: AS YOU KNOW, the Naval base closings in Massachusetts and Rhode Island will impact very heavily on my Congressional District. Last week, in an attempt to analyze the Navy's justification for closing Quonset Point, Newport and the Boston Navy Yard, I requested the Case Study and Justification Folders which I have been informed contain the Navy's detailed analyses justifying these closings. The Navy refused to provide me with these files on the grounds that they were "internal documents". This is nonsense.

I think it is outrageous to withhold this vital information from Congress when virtually billions of dollars of the taxpayers money and the livelihoods of many thousands of New Englanders are substantially affected by the Navy's decision. I want to know on what basis that decision was made and I think my constituents deserve a detailed explanation.

The objective of my investigation is to determine whether regional discrimination was involved in these closings. The longer these analyses are withheld, the more suspicious I become that these closings were not motivated by objective analysis alone.

I would appreciate it if you would look into this matter and direct the Navy and Air Force to deliver the requested material to my office as soon as possible.

Sincerely yours,

MARGARET M. HECKLER,
Member of Congress.

Mrs. HECKLER. I understand that this letter has been bouncing back and forth between the Defense Department and the CIA. However I have not had an acknowledgement of a letter, let alone an answer.

I am also pursuing this with the Navy. I would appreciate learning what response you receive.

Mr. WALDIE. We will pursue it, also.

Mrs. HECKLER. I have never heard of this classification "internal documents."

Mr. WALDIE. Yes, I have heard of that.

Mrs. HECKLER. Well, I have not heard it up until now.

Mr. WALDIE. Also working papers.

Mrs. HECKLER. Working papers. But, if they shred working papers, one wonders how valuable the work could be.

It seems to me there is no basis in national security for the Pentagon to withhold this information. In fact, I have a staff member with top security clearance who is going to analyze the data with me, should it become available. But it seems to me that the secrecy surrounding the decisions is as abhorrent as the decisions themselves.

I believe that both the affected workers of southern New England and the taxpayers in general, have a right to know on what basis the decisions have been made.

I think the defense workers in southern New England have every right to be told why they must bear an inordinate share of the cutbacks. As my colleagues from Rhode Island will describe, it is a crippling blow to that particular State.

As I have indicated, the spillover affects my district which adjoins Rhode Island. I think there is a valid question as to whether or not the savings claimed by the Pentagon actually will be the taxpayers' gain.

I think that could be very illusory. There is also a question of the strategic wisdom of the decisions.

Obviously, if we are going to move our Atlantic fleet from the northeast, and centralize it in the southern area, it indicates a change in military posture. Probably the Russians know more about the specific base decisions than we do. I am sure they have been analyzing this. I think, when the Navy decides to move the fleet, it is making a very fundamental judgment on the whole utilization of surface vessels and I think the Congress deserves to know about that. I think it is entirely inappropriate for the Pentagon to make the decisions unilaterally and never be asked to explain.

My insistence in receiving this information is motivated in part by a GAO report done last year showing that the Army was less than candid with the Congress about the cost of transferring functions from Fort Holabird in Baltimore to a location in the Southwest.

As it turned out, there was inadequate housing, water, and other facilities in the desert country for the new installation.

When the Congress discovered that problem, it was a fait accompli. And now we are very close to that same point in New England. I hope we can obtain the facts so we can analyze this situation before it also becomes a fait accompli.

We are still in the transition stages. And we still have time to assess the military and economic questions, as well as the impact on local communities.

Frankly, I do not believe that the Defense Department has con-

sidered these questions. For example, have they calculated the economic multiplier effect that will derive from the closings? Have they considered what types of industry can be brought in to alleviate the loss? I don't think so.

It seems incredible to me that the military can have all of their contingency plans for war and no contingency plans for peace. If it does, then it will not explain the plans to the public, or to the Congress. I think this kind of arrogance is indefensible.

Mr. WALDIE. May I interrupt you just a moment.

You might be interested in the response I received from a representative of the Office of Economic Adjustment. He said that apparently it is the only Federal entity that is vested with any responsibility to plan for peace.

And I asked them why they were not able to come up with plans for a base closure long before the base is closed so they could pull them off the shelf and say, this is it? They said that if they were to do that, the plans would be outdated in 5 years. Though they could make plans for war 5 years in advance, and would be able to update them to keep constant with that, we came up with an initial conclusion that the last place to vest Federal responsibility in planning for reconversion from war to peace was in the department charged to make war.

Perhaps the Commerce Department or something like that would be more appropriate for the Federal role in planning for conversion.

Mr. WILSON. Mr. Chairman, in connection with that, I have been amazed that construction projects are still on the board for those areas where they are closing bases,

Mrs. HECKLER. Is that true?

Mr. WILSON. Oh, yes. In California, bases are being closed, yet they have not updated the construction program to coincide with the base closing program. And this was not something they just thought up overnight.

This has been on the boards, I am sure, for sometime, and they were just trying to find the strategic time to announce it. You are certainly correct, Mr. Chairman, that someone has to help guide them during peacetime.

Mr. WALDIE. Yes. My impression is that the function they perform at the Department of Defense is an appropriate function, and we always ought to have that—their assistance in reconversion. But the primary responsibility for the Federal role ought to be vested in a department other than the department that is having part of its empire phased out in a case like this.

Mrs. HECKLER. I would agree with you, Mr. Chairman. I think there has to be oversight. If the peacetime transition is not handled capably and responsibly by the Defense Department as it obviously has not been, then the Congress should see to it that there provisions are made. The decisions were arrogantly announced without any consideration of alternatives, so as to make one feel the Congress is not a factor at all. The Defense Department relates merely to the Armed Services Committees, and I think they should realize that there are 435 members of the House. While I have every

respect for the Armed Services Committees, and while I realize that there are matters of security that should not be revealed; I do feel that these are not such select matters. These are the matters of phasing out or closing bases, and open discussion certainly would not jeopardize our future security.

Yet, the same withholding of information pertains, Mr. Chairman, and I think it is absolutely outrageous. It would be one thing for a private company to make its own decision without informing the workers of the potential loss of jobs (although that, too, is insensitive and at times unconscionable on the part of private industry), but here you have the Federal Government which is responsible to the people. In this case I do not think the withholding of information can be justified.

I also question how we can make military decisions on our defense budget if we are not given the information that will stand behind the decisions and document their wisdom.

So, this information, to me, is one of the most basic needs.

The second, of course—the only approach I can see at the moment is the passage of the Emergency Manpower and Defense Workers Assistance Act of 1973 which seeks to provide short-term assistance to these workers.

Now, since coming here this morning, I have been informed that your Committee has drafted a similar piece of legislation which offers some protection for the workers. You have a responsive attitude in listening to the problem and trying to take forward-looking steps, and I certainly salute you for that. I intend to cosponsor the legislation because this Committee is probably the only viable force in the Congress that is moving toward resolving the very human problems that exist for all the workers involved.

It seems to me that the whole economic recovery effort should be an issue that your Committee could well address. It would complement studies being made on the local level, for example in the city of Taunton, Mass., located in my District.

There is a real need to look hard into this whole economic question of economic recovery.

Two examples are the computerized referral program run by the Civil Service Commission for displaced employees and the President's Interagency Economic Adjustment Committee. Programs such as these have high-sounding names and have high-minded goals, however I question how effective they are.

The time to really examine them, and restructure them if necessary, is right now.

There are many dedicated people whose lives and livelihoods are at stake in this action and they deserve all the help the Government can give, for

In this painful transition period, all of the high-sounding rhetoric will not make up for the very personal loss.

I will submit a further detailed statement for the record. This is the first time in my life that I have joined in an action against the Defense Department, and I have done so because they have not complied with the statutory requirement that they furnish Congress with a full report on the justification for the closures.

Many of us in Massachusetts and Rhode Island delegations have joined a lawsuit brought by the National Association of Government Employees, because this is the only way perhaps legally to bring out the information.

I would hope that with the initiative of your committee and our own heckling efforts, that we may get the facts and then we can start an analysis.

I wish we could find a way to delay the decision on closures until this material has been sifted and considered by the committee and by the Congress, as a whole.

Mr. WALDIE. Thank you, Mrs. HECKLER.

Mr. Moakley?

Mr. MOAKLEY. As I said to Gerry Studds, who just testified before you, I talked with Admiral Zumwalt this morning. He said the Boston base should have been closed 3 years ago, which means that the Navy Department had prior knowledge that this base was going to close.

And I agree with you. I think it was so cruel that they did not allow the people working there more time to relocate and allow them to make other choices.

If he thought it should have closed 3 years ago, if the people had 3 or 4 years to relocate I think better use could have been made of their time and it would not be as cold and cruel as it is today.

I think it was a political decision and I think that we, all of us in the New England area, feel it was a political decision.

When the New York Times carries a story about Senator Scott claiming he stopped them from closing Philadelphia, what else can we, in Massachusetts, feel but that it was a political decision.

I would hope this committee could stop the closings until we do have the information that you and other members of the New England delegation sought to get with very little results.

Mrs. HECKLER. If Admiral Zumwalt is so convinced of the wisdom of the Navy's decision, it is hard to justify the secrecy of their justification in their folders.

If their decision is so obviously correct, then why have they withheld the data supporting the decision?

I do not understand this, although I do respect the Admiral. But I think the contradiction in the actions taken by the Navy Department are difficult to understand and explain.

Mr. MOAKLEY. In fact I, like yourself, have asked many questions and received answers that were not really responsive. But through the grapevine, and through the scuttlebutt route we have found that some of these decisions were made when Chaffee was the Secretary of the Navy.

So, therefore, it means that a lot of things that are happening today were in the pipeline before the last election—and we should have been told at that time.

Mrs. HECKLER. It seems to me the military has taken the most painful way to make their decisions known.

Mr. WALDIE. Mr. Wilson?

Mr. WILSON. Well, I do not have any questions. I want to thank Mrs. Heckler for being here. I think that the contribution of each

of the Members here, toward solving this particularly difficult problem affecting New England, is certainly something that would be worthwhile for the committee to consider.

I am in a kind of a quandary. We know, as Admiral Zumwalt told Mr. Moakley this morning, this has been in the works for sometime.

In fact a lot of these bases have been closed and wherever the Government does it, someone is hurt.

However, it seems like New England, I will admit, got more closings than its share. And, obviously, there were some areas that were able to prevent it because of stronger political pressure apparently than came out of New England.

Philadelphia's was not closed but it was supposed to have been closed several years ago. I know Jimmy Byrne, when he was still on the Armed Services Committee, helped to keep it open at that time. It is the same situation with me, I am trying to get rid of a naval facility in my district so we can have a park for the city. It does not involve as many people as you have involved.

I certainly would sympathize with the problem you have. I will work with the committee on anything we can do to help in whatever reasonable way possible.

Mrs. HECKLER. If I may respond briefly.

Mr. WALDIE. Surely.

Mrs. HECKLER. I do realize cuts have to be made and I think everyone in our delegation does. What we have just asked for is a fair allocation of the burden. What has happened is that the proportion of the blow which was experienced in New England was disproportionate to our size.

Perhaps Admiral Zumwalt is right, and these are the right decisions, but in view of the consequences I think he should justify why Boston should be closed and Philadelphia kept open. In the absence of that decision and explanation, the obvious conclusion is political interference or influence. These decisions cut too close to the hearts and lives of our people to be conducted on this totally arrogant atmosphere in which the military answer to no one except the Armed Services Committee. There are others in the Congress who have a right to be heard.

Mr. WILSON. You are absolutely right.

Mrs. HECKLER. I would hope we could write some legislation to prevent this in the future for other sections of the country, but I hope through your committee we can get the answers, Mr. Chairman.

Mr. WALDIE. Thank you, Mrs. Heckler, for your appearance.

[The prepared statement submitted by Mrs. Heckler follows:]

STATEMENT OF HON. MARGARET M. HECKLER, A REPRESENTATIVE
IN CONGRESS FROM THE STATE OF MASSACHUSETTS

Mr. Chairman, I appreciate this opportunity to appear before this committee this morning to discuss the cruel impact of the base closings in southern New England. I commend you and your committee for holding these hearings on this important and timely subject—I think it is a great public service. The recent base closing decision is not only reaking economic havoc on certain sections of the country, but the impact is even more devastating on the lives of those civilian workers whose jobs will be abruptly terminated.

This committee can go a long way toward smoothing this transition period for those effected people, many of whom have devoted their entire working lives to this country.

(Just the other day, a 52 year old constituent and 27 year employee of the Naval Air Rework Facility at Quonset drove home to me the personal tragedies that flow in the wake of these closings. He asked, "What am I going to do at 52 in a job market that already has over 7% unemployed—with another 9-14,000 unemployed being dumped on the market as a result of these closings?") You can tell him about all of the high sounding Pentagon and Civil Service Commission programs that will help him, but cynacism is running high in Southern New England these days.

Hopefully your hearings and a careful study by this committee of the various bills that have been introduced to provide emergency relief to these civilian workers will provide at least a partial answer to many thousands of my constituents that are going to suffer from both the primary and secondary impact of these closings.

Mr. Chairman, although I fully realize that California did not come out of this action unscathed, I think you can appreciate my fixation on Southern New England. This issue is of more than passing concern to my district. The Tenth District of Massachusetts, unfortunately, is right at the hub of a circle of disaster. The closing of the Boston Navy Yard, Quonset, and Newport represents nearly half the civilian jobs that are being eliminated nationally. These bases are all within 30 miles of my district. The Tenth District of Massachusetts is a bedroom community for a good portion of these workers. We not only suffer substantially from the primary impact of these job terminations, but the secondary impact or multiplier effect is another cruel blow.

IMPACT OF THE CLOSINGS ON SOUTHERN NEW ENGLAND

The closings of these military facilities was a cruel blow to New England both in terms of the secondary and more importantly in terms of the workers and their families whose jobs were terminated.

Although I have been a constant supporter of a strong national security policy for the United States, I have advocated making specific cuts in the military budget to eliminate wasteful spending and excess capacity that, in fact, weakens our defense. In this case the completely unknown quantity is how these base closings relate to our national security. However, it is hard to swallow these recent base closings where the major share of this reduction should be aimed at Massachusetts and Rhode Island, particularly at a time of very high unemployment in the New England area. To drop another 9,000 workers in Massachusetts alone in the already disastrous job market is a callous action.

The potential economic loss to the State of Massachusetts has been estimated as high as \$1.7 billion. The cost to the more than 13,000 workers affected is more serious. They will lose their present jobs, jobs which in many cases they have held for their entire working lives. Although some will have the option to be transferred, 9,000 workers will be terminated.

In a state where the unemployment rate is 7.2%, the economic future for these men and women looks bleak indeed. In Fall River, one of the major labor markets in my district, the unemployment rate is already approaching 10%.

When 9,000 workers are added to the 185,000 currently jobless in Massachusetts, the prospect for early relocation is not bright.

This problem is compounded by the age of the work force. 40% of the employees at the Boston Naval Yard are between the ages of 45 and 54, another 28% are over 55—68% are over 45.

Their employment options are limited by their age and the reluctance of employers to hire older men and women.

A study by the Arms Control and Disarmament Agency of base closings concluded: ". . . displaced workers who decide to continue their careers as Federal Government employees experienced a marked change in their employment status . . . some had to accept lower grade positions in order to do so, and nearly all of the employees who continued to work for the Federal Government had to relocate outside the local labor market area."

These workers are being asked to bear the burden of a decision that is be-

lieved to be in the national interest. For that reason, I believe that the nation has a responsibility to ease the burden as much as possible.

According to Navy figures, the 1972 gross payroll for Navy civilian employees and military personnel in the Rhode-Island-Southern Massachusetts area totals slightly more than \$344 million—an increase of about \$25 million over the previous year.

We know from past experience that besides the actual loss of civilian defense jobs or military jobs in a community that there are serious multiplier effects as well. The Department of Defense estimates that for every 100 civilian defense jobs lost in a community, there are an additional 153 other service jobs lost as well—men and women who were grocers, plumbers, and bus drivers for those civilian workers. For every 100 military jobs lost, they estimate that there are another 66 jobs lost in the community. So we are talking about impact that can create economic chaos in a community.

There was one claim that 3,000 Quonset Point workers will lose their jobs in 5 months—this seems outrageous if it is true.

Most of these closings will be accomplished in a year—I understand previous closings were phased down over a 3-5 year period.

The Pentagon action on these closings will affect 274 facilities in 32 states. It is curious to note that of the 41,350 civilian workers affected and the 28,363 civilian jobs eliminated in those 32 states—just about half of those jobs eliminated are concentrated in Massachusetts and Rhode Island.

Senator Carl Curtis of Nebraska was moved to denounce these closures as “highly political” and estimated that the moves will cost the taxpayers more than the Pentagon claims they will save.

In fact, Senator Scott of Pennsylvania, the majority leader in the Senate, boasted in a New York Times article recently that he was responsible for keeping the Philadelphia Navy Yard open. Of course, the Boston Naval Shipyard was closed.

Under these circumstances I think that the question of regional discrimination is a valid issue for New Englanders to raise.

If a valid and objective case were made that these installations were not in the best interest of efficiency and national defense, I would not argue that they should be maintained forever.

However, what I do argue is that the people of New England should have been given a fair shake vis-a-vis other regions of the country. I have seen no evidence in the information submitted to the Congress to show that this was an objective decision and only circumstantial evidence that it was discriminatory.

WITHHOLDING INFORMATION FROM THE CONGRESS

Two weeks ago, I decided that I would look into these charges of regional discrimination to determine whether there was substance to the charges. I wanted to see the analysis and justification material that led Pentagon decision makers to close the New England bases vis-a-vis alternative bases.

I wanted to determine for myself—if we are going to take our lumps in New England, are we going to, in fact, save the taxpayers some money or are the claimed savings as effervescent as bubbles in French champagne. I also wanted to know the level of analysis that went into determining the economic impact of these actions—if indeed there was any.

The analysis that was provided to the Congress in the required 613 Congressional Reports is a joke. They average about 3 pages and consist of no analysis of alternatives, but merely conclusions. The numbers could be completely bogus, but there is no way to check. These reports curiously satisfied the Armed Services Committees that everything was fair and square.

I then requested the “Case Study and Justification Folders” that contained the detailed analyses of each base closing and transfer. The Pentagon claims that its decisions to close the bases were based on evidence contained in these files.

The Navy, after first agreeing to provide the information, called and informed my office that the Navy refused to release the files, claiming that they were “internal documents”.

To make matters worse, when the same information was requested from the Air Force officials, they claimed their analyses had been destroyed after the decision had been made to close Westover and to reduce the Hanscom and Otis bases.

The longer these studies are withheld, the more suspicious I become that these closings were not based on objective analysis, but could be due to regional discrimination.

I think the Navy's refusal to provide this vital information to the Congress is outrageous. On May 30, 1973, I wrote to the Secretary of Defense James Schlesinger requesting that he direct the Navy to deliver the requested material to my office as soon as possible. (At this point in the record, I would like to insert a copy of the letter.)

It has been over a week now since I sent the letter to Secretary Schlesinger, and I am still awaiting a response from the Pentagon—in fact they have not even acknowledged receipt of the letter. There are no possible reasons of national security for the Pentagon to withhold this information from my office. In fact, I have a staff member with a Top Security clearance who will analyze this data with me. I find this kind of government secrecy is abhorrent. The Congress and more specifically the affected workers of Southern New England deserve to know on what basis they were asked to absorb such an inordinate share—about 50%—of the cutbacks. The taxpayers deserve to know whether the Pentagon savings claims are valid. There are also questions of national security involved in these cutbacks which should be publicly explained. For example, is it strategically valid to concentrate our Atlantic naval force structure in fewer and fewer bases. Or is the Navy admitting that surface vessels are so vulnerable to a serious Soviet attack that they are of little strategic value? I would argue strongly that it is inappropriate to allow the Pentagon to make these decisions unilaterally.

My insistence on receiving this information is partly driven by the GAO report of about a year ago, that found that the Army had been less than candid with the Congress about the cost of transferring functions from Fort Holabird in Baltimore to Fort Huachuca in the desert of Arizona. It turned out later that there was inadequate housing, water, and other vital facilities in the desert contrary to Army claims. However, by the time the Congress discovered the problem, the move was a fait accompli.

LACK OF COMMUNITY ASSISTANCE

I am constantly getting complaints from communities and workers affected by the closings that tell me that were jammed with these closure announcements. They argue that if they had been given prior notification of the closings, they could have better planned for economic conversion and future community development. As a result, there would not have been such chaos and economic upheaval for both the workers and the communities involved. I think these people deserve better treatment.

Although there will be no bases closed in my district, there will be substantial direct unemployment and multiplier impact from all sides—on the North the Boston Naval Shipyard, on the South the Quonset and Newport bases, and to the East Otis Airbase. Yet I am finding that the Federal Government is responding only to the areas immediately surrounding the closed bases. The Pentagon can't even give me an estimate of the economic impact on my district. Most of the businesses and governments in my district are living in total ignorance of the future impact. I understand that the Pentagon testified yesterday to the effect that the economic impact of base closures on the community involved is irrelevant. That is an outrageously callous statement. Those officials should be made to face the workers of my district who have devoted their lives to the defense of our nation.

Procedures have to be changed so that communities are given advance notice of impending base closing so that advance planning can be accomplished to ease the plight of both the workers and the communities involved. The Pentagon should be forced to take the impact into consideration before they desecrate a community.

I was talking to the Mayor's Office in Fall River, Massachusetts yesterday and they told me that they had asked the Navy at a briefing on the closings for an economic impact figure for the Fall River area. The Navy admitted that they didn't have one, but would give them an estimate shortly. It is now two months later and Fall River still has not received a response from the Navy. How do you plan as a community under these circumstances?

The lack of advance planning on the part of the Pentagon to alleviate

suffering at the community level operates to make these cutbacks as painful as possible. Although the Pentagon will utter pious words about economic adjustment, when the rhetoric is peeled away, there is little if anything there.

Mr. Chairman, it is unconscionable that the military has a raft of contingency plans for war, but no contingency plans for peace.

RECOMMENDATIONS

Mr. Chairman, when national decisions such as base closings are made, individual communities and workers should not be forced to suffer the full burden of these decisions. They need and deserve the full support of the Federal Government to adjust to the resulting chaos.

For this reason, I have strongly supported the early passage of H. R. 7485, "The Emergency Manpower and Defense Workers Assistance Act of 1973", which seeks to provide short-term assistance to those workers affected by the closings. It authorizes public service employment, health benefits, early retirement, moving expenses, and extended severance benefits to workers who lose their jobs as a result of these base closing decisions.

I am sure that the committee is all too aware of the provisions of this bill for me to elaborate on them here. But I want to emphasize that these benefits are minimal actions that the Federal government must take to ease the economic and social burden on workers who lose their jobs as a result of the decision to close these bases across the country.

Mr. Chairman, I would also suggest to your committee that early in the ball game that your staff investigate the effectiveness of some of the high sounding programs that the Pentagon has put into effect to aid civilian employees and communities affected by the cut-backs: Department of Defense Program for Stability of Civilian Employees; The Computerized Referral Program; The Civil Service Commission's Displaced Employee Program; The President's Inter-Agency Economic Adjustment Committee; and others.

It would be a far greater benefit to determine the effectiveness of these programs now, when there is time to restructure them, rather than after the fact.

I would also like to point out that I have joined with several of my colleagues from the Massachusetts delegation in becoming party to a suit against the Defense Department seeking a delay in the implementation of the base closures and cutbacks until the Secretary of Defense complies with the statutory requirement that he furnish the Congress with a full report on the justification for the closures. Up until this point, there has not been adequate justification, and I support this legal action because it is one possible way to compel the Defense Department to comply with the law.

I can't help but repeat that there are many, many dedicated people's lives and livelihoods at stake in this operation and they deserve the most effective help the Federal government can provide. I am sure that your committee will go a long way toward easing the plight of these individuals in this painful transition period.

Thank you.

The next witness will be Congressman St Germain from Rhode Island. Mr. St Germain, if you will proceed.

STATEMENT OF HON. FERNAND ST GERMAIN, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF RHODE ISLAND

Mr. ST GERMAIN. Thank you, Mr. Chairman.

At this point I would like to elaborate and perhaps add in a few instances, rather than go on with the statement. I am sure my colleague, Mr. Tiernan, will want to do the same thing.

It is true we are faced with and we share a mutual problem. We also share it with Mrs. Heckler and Mr. Moakley and everyone else in the New England delegation.

Mr. WALDIE. May I interrupt you just a moment? I was struck by a figure Mrs. Heckler gave and I was not aware that that

geography—that all of the bases in Rhode Island and Massachusetts, the primary bases, are within about 30 miles from her district.

Mr. St GERMAIN. Yes; that is correct. And we are suffering as she said, 50 percent of the cuts that were announced nationally are being effected in New England in the Boston and Rhode Island area.

The subcommittee we appear before today, this morning, has among its responsibilities, I feel, the morale of Federal employees; right?

Mr. WALDIE. Yes; and the impact upon them of, such as we are discussing.

Mr. St GERMAINE. Right.

Well, April 17 these cuts were announced. The major portion of the RIF'S are going to take place within a very short period of time. I think, as far as the Federal employees are concerned and as far as the members of this committee and the Members of the Congress are concerned, you must remember that it could also happen to you.

Now, it has happened to us. April 17 the announcement was made and within a matter of months, 4,000 Federal employees, as explained by Mrs. Heckler, with various terms of employment, now find that through an action by the Federal Government—by the Department of Defense and in this instance, by the Navy—found that they no longer will be able to earn the wherewithal to support their families, to maintain their homes, to educate their children.

Deputy Secretary Clements, who is now Acting Secretary of Defense, stated very bluntly, very arrogantly and very carelessly last week that there would be no review.

Now, thousands of people from Rhode Island, Massachusetts, the delegations from New England as well as many prominent citizens have called upon the President to ask for an audience with him.

Now, he flew over Mississippi to view the flood damage and that was a tragedy.

But, it was a tragedy over which no one had any control. Yet, he refuses to even acknowledge personally the request that he meet with the New England delegation to look at the tragedy that is being caused by the Department of Defense over which there is control.

Now, as has been brought out, these plans have been in the making for over 2 years. When Mr. Tiernan and I, Senators Pastore and Pell, met with the gentleman who was in Rhode Island the week before last, representing the Office of Economic Adjustment, I asked him, at the time when they first looked into what the economic impact of these closings would be.

Amazingly, I was told 3 weeks ago they really began to look into it. Now, the Navy concerns itself, like Admiral Zumwalt, with line items in the budget. They do not take into account the cost to the American taxpayer of what they are doing in such a sudden manner, such a precipitous manner, in the fields of housing, in the fields of education.

There is a lady whose husband is now stationed in Newport who was in Norfolk 3 years ago. In 1969 she had been waiting 2 years for housing for her family.

She never did get that housing. She was still way down the line on the list. And now they are injecting all of these additional families into that area. Who is going to pay for that housing? We, the taxpayers are.

Yet we are abandoning housing that was certified as necessary under the 236 program less than a year ago by the Secretary of the Navy and by the Navy. We have numerous speeches made by representatives of the Navy during this 2-year period. Yet during this same time the Navy says they were aware of the fact that the plans had been compiled and were ready to go.

They made the American taxpayer build this 236 housing, made other taxpayers put up conventional housing and now all of this is going to go on the auction block and it is going to go into default.

The information we have sought, every member of the delegation, for justification of these moves, they tell us they cannot give us because it is classified.

Why is it they are trying to classify it? They state it has to do with what our force requirements will be for 1980 and 1990.

Yet you can go to the Naval Institute and read the papers that have been drafted on these very points and they are public knowledge. But to members of Congress, we are not allowed, we are not given this information.

I repeat, as I said earlier, it could happen to you. It is happening to us but it could happen to you, gentlemen. It could happen to any Member of the Congress, that his or her district could be so drastically and tragically affected.

As I say, the thing that really amazes me is, if we are concerned with dollars and cents, why is it that we do not require the Department of Defense, the Navy in this instance, to tell us and to make a study of what the economic impact is going to be—not only in the area that they are leaving, but the area that they are moving to. What are the requirements as I said before—what are they going to be for housing, for education?

The sum is untold billions of dollars. So, the alleged savings that they talk about in this instance are not going to be there.

In conclusion, the other thing that bothers me and bothers all of us is that we have been told that—and this is by some retired admirals who are very knowledgeable, that the likelihood that the Navy will give up the land, particularly in the Newport area such a strategic area, is very remote.

They will probably lease this land. But they will not divest themselves of this land.

So what does that mean? That means how do you get private industry in this area and to establish in this area when they are told that within a matter of 24 to 48 hours to a week, they can be ordered to disband, to move out because the navy and the defense department for strategic purposes might well need these installations.

This is what really hurts. One last thing. The same Admiral I spoke to who told me this, stated another thing: He said the Navy should welcome the opportunity to justify their moves.

Well, unfortunately, the present incumbents in the Department of Defense and Navy, rather than welcoming the opportunity to

justify that which they are doing, are using every means at their disposal to avoid answering any questions that would be of assistance to the members of Congress, to help us to understand why they are doing this. I do hope that this subcommittee will pursue that which the chairman stated earlier, in looking for these reasons, because I say, your jurisdiction is intimately involved in that it has to do with the morale of Federal employees. Four thousand people have been told that within a matter of months they are out of work.

One more point: In the areas that they are moving the fleet to their unemployment rates are between 2 and 3 percent. We, in Rhode Island and adjoining Massachusetts, have an unemployment rate of 6 percent and above in some of the areas that are being affected.

Mr. WALDIE. There are some that say the statistics of unemployment are important. But the election statistics last November were equally important and overriding.

Mr. ST GERMAIN. You are correct. I might ask my colleague to mention at this time the ad I hope they saw.

Mr. WALDIE. Before we go into questions, if you gentlemen agree, we will ask Mr. Tiernan to proceed.

STATEMENT OF HON. ROBERT O. TIERNAN, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF RHODE ISLAND

Mr. TIERNAN. Thank you, Mr. Chairman, I want to thank you and your colleagues for giving us this opportunity to testify before you. As you know, most of us from New England introduced legislation similar to yours. We are in support of your legislation because I think it does accomplish some of the ends that must be met to ease the situation the Navy has created. I want to join in the remarks of my colleague from Rhode Island and good friend, Fred St Germain.

I am sure you have had testimony from other members of Congress in the New England area. Rhode Island is special in that we have taken the brunt of the civilian cuts. In our State we have two major facilities, Newport and Quonset Air Station which have been ordered closed down.

They are within 10 miles of each other. Many people from St Germain's District work at Quonset which is in my Congressional District. We will lose about 4,000 civilian jobs in that one facility. And there will be about 725 civilian jobs eliminated in Newport. But the military impact with the transfer of over 39 naval vessels out of Newport to other ports means that the economic impact in a very compact, small area such as Aquidnick Island where Newport is located is really disastrous. That is why I think this legislation is very important. I think when you analyze the fact that these employees have worked for the navy for a number of years—some of them are in a position to take a retirement but it is not a voluntary retirement as such. And I think that this type of legislation could help to ease the impact.

I would say that while we are testifying here today in favor of this legislation, we do so because we believe that the Navy owes a responsibility to Rhode Island and to Massachusetts, but particularly

to Rhode Island. As Congressman St Germain indicated, they came to our State within a year and a half ago and made public statements with regard to the need for more housing for naval personnel.

The private investors in the State of Rhode Island undertook to enter into contracts with the Federal Government under different housing programs, subsidy and nonsubsidy programs, and built these housing units.

Now, they find not only are the bases going to be closed, but the Navy, in fact, as far back as 1971 were contemplating these steps. In other words, it seems to me, Mr. Chairman, and members of the committee, that this is not the way the Government should act.

You should not be out telling the people in the community to build more housing, implying, "we are going to be with you and, if you do build this housing and show us that you want us to stay in your State, you know, we will."

That is the implied expression. But to do this at a time when plans are in the works to close down, is simply wrong. I agree with what Charlie Wilson said about the fact that the Navy does have to restrict and have to cut back. We are not saying that they should not do this and maybe as Margaret Heckler said, this is probably justified but the manner in which they did it is all wrong. The fact is that DOD will not come up and testify before your committee or any other committee or even the Rhode Island delegation.

During the last election, a full-page newspaper ad with a map of Rhode Island showing the two naval installations, Quonset and Newport appeared in Rhode Island papers. The ad said that, if you vote for McGovern, you are going to lose these facilities. But if you do not vote for McGovern, Nixon will not close the Naval bases in Rhode Island. It was signed by Mr. Maurice Stans, and now nobody seems to want to acknowledge who ordered that ad to be put in the newspaper.

But the people in the State know the Rhode Island chairman of the Committee To Re-Elect the President put a full-page ad in the Washington Post asking the President to meet with him just to discuss this closing and also mentioned the fact that he had received a letter from the President, thanking him for his efforts and if ever he could do him a favor, he would be happy to do it.

Well, the President has not even acknowledged or offered to have a visit with him in the White House. So, we are here probably as a very small area in this country, but I think, as Congressman St Germain has said, maybe others have said it, this type of action can later affect many other States, many other areas. And I think that this type of legislation where we are providing some funds to help our displaced workers, make the adjustment from the type of work that they have been doing for the Navy, making manpower training funds available, will assist greatly in making the transfer to a private economy.

We can go on and I can go on about the statistics of unemployment but you are aware of that, Mr. Chairman, and I want to again thank you and the members of the committee. We appreciate this very much.

I hope that we are going to be in a position to support you on the floor of the House when you report this bill out.

Mr. WALDIE. Have you gotten any response at all from the administration as to why the bases are being closed?

Mrs. Heckler went through a long explanation of her efforts that were not productive. You were here, I do not know if Mr. Tiernan was here for the full presentation, but have you gone through the same sort of exercise with not any other response than she?

Mr. ST GERMAIN. Yes.

Mr. TIERNAN. Yes.

The last official talk we had with the Navy was really with the Secretary of Defense, Elliot Richardson. And that was about a week before the announcement. Senator Pastore, Mr. O'Neill, the Majority Leader, Senator Brooke, Senator Kennedy, we had everyone there from the States affected and he indicated that the decision was not going to be reviewable once the decision was announced.

Senator Pastore specifically asked him whether or not, after you make the announcement, would there be an opportunity to review the justifications.

He said no, there would not. And there has not been.

Mr. WALDIE. The tragedy is this committee has authority to examine the consequences to the Federal employee, the work force, that is our jurisdiction. But the committee that has the clout to bring about the actions is the Armed Services Committee.

Mr. ST GERMAIN. May I make another statement, for the benefit of my very dear and respected colleague, Mr. Wilson, who serves on the Armed Services Committee. If you will check the construction authorization for Newport, you will find that approximately 2 years ago you authorized barracks at Newport. \$3 million.

They are now 50 percent complete. That is \$3 million of the taxpayers' money. Construction was begun on these barracks at the very time the Navy knew that it was most likely that the installation at Newport would be shut down; and that the ships would be moved to other areas.

Let me say to the committee, I keep repeating, it could happen to you. Now, we all realized every one of us in New England, that cuts were going to occur. We are prepared to be affected. By the same token, we say let us be fair about this, let us be equitable about this. Why pick on one area of the country and soak us with 50 percent of the cuts nationally?

I do wish, Mr. Wilson, and so does Bob and everyone of us in New England that the Armed Services Committee would take the bull by the horns here because it can happen to you and to anyone, any other member of Congress. And let us get this thing out in the open and let's get it exposed to the light of day.

Mr. TIERNAN. If my colleague would yield, also, I would say I think, in fairness, after November that there was—this was in April—that Rhode Island might have joined Massachusetts.

However, Rhode Island did support the President in his reelection efforts.

Mr. MOAKLEY. Only because he was going to keep the base open.

MR. TIERNAN. I think so.

MR. WALDIE. Mr. Moakley?

MR. MOAKLEY. Actually, all of us in the New England area, I think you will agree, knew there would be cuts but we thought they would be made with a paring knife not a guillotine.

I am sure nobody in their wildest imagination felt all those bases would be closed. But if I could address the question to both you gentlemen—since I am a relatively new member of Congress and perhaps my information is not as precise as yours—it has come to my attention that some of these contemplated cuts were made under then Secretary of the Navy, Mr. Chaffee, back as far as 1970 and 1971. Would you care to comment on that?

MR. ST GERMAIN. Mr. Still, who is staff director of my subcommittee, went down to the Department of Defense with some members of the subcommittee, of the staff of the Government Operations Committee. Rather than speculate here, I would ask him.

MR. STILL. Approximately 2½ years ago, Mr. Moakley, the requirement was given to the Center for Naval Analysis to project home ports for a reduction in the number of fleet units, I believe the reduction was 288 to 244.

The instructions given to the Center for Naval Analysis, which is a Rand Corporation for the Navy is information we have requested and have not as yet received. To understand the decision it is necessary for us to have the original directive and requirements the Navy planners were operating under as they began their analysis process. The ports were divided into East Coast-West Coast existing homeports for the fleet. On the East coast Newport, New London, Charleston, Norfolk and Mayport were analyzed from a cost effectiveness point of view. Charleston and New London were excluded because of the nuclear submarine service capability not existing in any other port. So, it is fair to say that two and a half years ago, the Department of Defense, in terms of contingency planning, directed the Center to develop plans for the closing of one or more ports. So, all of the other decisions the Congressmen have been talking about in terms of laying on requirements for education, and housing, and other public improvements were made at a time when certainly Navy planners were aware of the base closings.

MR. ST GERMAIN. Therefore, they were known to the then Secretary of the Navy. That is quite evident.

MR. MOAKLEY. So, it is fair to say that 2½ years ago—those in power knew that the proposed cuts included the Boston Naval Yard, Newport and Quonset—2½ years ago!

MR. STILL. From a contingency planning point of view.

MR. MOAKLEY. The purpose of this committee is to find out why, even to this day, some Federal and Civilian employees have not been notified that their bases will be closed, as is the case in the Otis Air Base. We would just like to know how the government can operate in a vacuum to the detriment of so many people who were probably brought from other sections of the country just to work here.

MR. ST GERMAIN. We have specific cases of people who, if they were kept on until I believe in one case, until, September of this

year, this gentleman would qualify for retirement. We cannot get an assurance that they will find a way to keep this man on until September of this year.

Now, the announcement was not until April of this year and this man may not qualify for retirement for that short time period through no action of his own. He is an innocent victim.

Mr. MOAKLEY. Whereas if he knew to look around 2½ years ago, he probably could have placed himself in another governmental position and qualified for it.

Similarly, I resent the callous way they deal with personnel brought here from other areas of the country to work on special projects.

Mr. WALDIE. Well, that has been the thing we have constantly run into.

The Department of Defense apparently has a list of facilities that it may close down without any great impact upon the military requirements of the country. They keep it in their pocket.

Mr. Allan Kerr of DOD described this yesterday, and testified before the committee. But he said they are not going to close them all. They just keep a list handy. We asked, well, do you have any planning contingencies for the remote case that you might close them down?

He said, no, we don't want to do that because we will alarm people. If we suggest we want to plan for it, they will be alarmed.

So they think it is best psychologically to pretend they are not going to do anything until they do it. And then deal with the debris of human hopes and ambitions and aspirations that are created, in a very short time.

Mr. ST GERMAIN. I would inform the Committee that among the information provided us by the gentleman from the Office of Economic Adjustment—the fact was brought out there were going to be 3,000 housing units vacated as a result of—these transfers. There are \$10 million in taxpayers money alone, to 237 small businesses in the areas of Quonset and Newport.

We are not even talking about Boston, Mr. Moakley, just this small area. They say there is \$10 million of SBA loans, taxpayer's money, that are susceptible to loss.

In other words, these people going into bankruptcy, as a result of these cuts. He admitted as I stated, they did not do any study prior to the April 17 announcement; no in-depth study as to the economic impact. They admitted that the school system is going to be drastically affected. In one community they are going to cut by 50 percent the school population. You talk about suborning, well, the Navy perjured themselves and they suborned these communities and investors into investing their hard-earned dollars to build these facilities that are now going to go empty.

Mr. WALDIE. I want to interrupt you just a moment there, and turn over to Mr. Wilson. They testified yesterday that local economic impact was no criterion whatsoever in terms of these decisions.

Mr. ST GERMAIN. That is right. They could care less.

Mr. WALDIE. They were quite blunt about it. They said that that has no bearing.

Mr. MOAKLEY. Someone quoted Admiral Zumwalt as saying it was immoral to think of the economic impact when thinking of closing these types of bases.

I understand partly what has happened. I think the Navy Department has been given the order to cut their budget down to the bone and what they are doing is cutting these bases so they can spend more money for the new carriers, probably put more money into the Trident submarine, because they only have so many dollars.

So they feel it is more important to have carriers and some of these other things than to keep the bases open. But the thing that bothers me regarding some of the overseas bases—they have thousands and thousands of people working there and they have not cut back one iota, as far as I know.

Mr. WALDIE. Mr. Wilson.

Mr. WILSON. It is obvious that they are more concerned with the economy of Greece and Athens, there, than they are with the economy of our own country.

Do you have any reason to think that if Chafee had been elected to the Senate, this would not have happened?

Mr. ST GERMAIN. Mr. Wilson, with the actions of this Administration, logic does not apply. You cannot pursue logic because it just would not apply.

Mr. WILSON. Chafee—will he run against you?

Mr. TIERNAN. We do not know. He might run for anything.

I would say he would be in an extremely embarrassing position if he had been elected to the Senate and then had these announcements made. I think there might have been some different type of announcement. I think it would not have been—if there was going to be some cutback it would not have been of the scale that we are experiencing now and I think he would be in a position to go to the President and say that the ad was in the paper. Now, that is my feeling. But I have no facts to back it up.

I would say that the one thing that might indicate that that might not be so, was the fact that as the Secretary of the Navy, he apparently did not have the ability to make much change in what was being planned at that time. Our indication from a preliminary report from the General Accounting Office is that this goes back to 1971 and on up through March of 1972.

Mr. WILSON. Former Deputy Secretary Packard has said many times that we have too many bases. There is no question but that the closing of bases is often postponed until after an election.

Mr. TIERNAN. If I may respond to that, our former colleague, Mr. Laird, Secretary of Defense, indicated to me that these announcements had been prepared prior to last May but because of our S.E. Asia involvement and the resumption in the bombing of Hanoi and the mining of Haiphong that it was decided not to make the announcement at that time because it would have a very bad psychological effect. It was postponed then, of course, it went past the time of the conventions and it was very close to election, so it was postponed again. He was to make those announcements after the election. He said he thought the new Secretary of Defense

ought to make those announcements. I would assume his experience on the Hill as a Congressman served him well there.

Mr. WILSON. I think Zumwalt said it was immoral to talk about the economics—

Mr. MOAKLEY. I did not get it firsthand.

Did you ever hear that statement?

Mr. TIERNAN. I have received it from other Naval personnel. As the Chairman said, the factor of economic impact was not a factor in the decision.

Mr. WILSON. The word "immoral" was used.

Mr. MOAKLEY. Yes, that is the way I got it.

Mr. WILSON. It is not immoral to do some of the other things the Executive Branch has been doing.

Mr. TIERNAN, what is the status as far as job opportunities in your state? You state there are 551 jobs left at the Quonset air base? They have actually reduced some jobs. There are 3,500 people left that have to be taken care of through retirement or other jobs.

Mr. TIERNAN. Right. The present situation according to the figures we have is that there will be about 2300 civilian employees displaced as a result of the action at Quonset. In other words as of July 1, 1974 that figure may be reduced by some people taking an annuity less than—less than full annuity.

Mr. WALDIE. Those figures are always misleading. Always discount those figures. People are forced into retirement who do not want to retire, but they are considered as being a retired employee. That is a nonsensical picture of the thing.

Look, there were only 47 people that were really fired. That is foolish and distorted. It is hardly satisfactory to an employee who needs a job to support his family.

Mr. WILSON. You know just the fact that they have a job offered—where?

Mr. TIERNAN. Southeast Asia.

Mr. WALDIE. Southeast Asia?

Mr. TIERNAN. General Electric came in a week ago—

Mr. WILSON. I was thinking of Alabama or Mississippi being bad.

Mr. TIERNAN. G.E. came in and interviewed something like 90 airplane mechanics and technicians and offered them jobs in Southeast Asia for no less than a year, they had to sign up for more than a year.

Mr. WALDIE. The South Vietnamese Air Force.

Mr. TIERNAN. Yes.

Mr. MOAKLEY. They are keeping it in the same job market area.

[Laughter.]

Mr. TIERNAN. Well, this is no laughing matter, but, you know, the problem is that the Navy had now come forth and the Government's coming forth saying we are getting private employees to come to Quonset to interview employees down there. And we are making these jobs available to them. But as you point out, Mr. Chairman, the question is where are these jobs and how is a man who has children in school, some in local schools and maybe some in colleges, to uproot them and move them, to dislocate them.

Mr. WALDIE. Furthermore, General Electric is engaged in hiring

mercenaries in that situation. They are hiring Americans to perform functions for military soldiers in South Vietnam. It is a de-meaning miserable offer for the replacement of responsible jobs to send them over there.

Mr. WILSON. They may be family people, they may want to stay in this country with their families, you know. I think it is hard enough to move from one community to another in the United States.

Mr. ST GERMAIN. There are a number of instances also, where you have men who are maybe 2, 3 and 4 years short of retirement that have been offered jobs in other areas of the country. A very hard decision has to be made, to wit, do I sell the home I have? Incidentally, the real estate market in this area has—you know, gone down to rock bottom. Houses are going to go begging. It is a decision that has to be made. Should he sell his home? One individual I know has a hobby of repairing old automobiles, and has invested thousands of dollars in equipment. This is his whole life. Does he sell his home and move to that area or does he say to his wife, I will see you in 3 or 4 years. You stay here with the children, keep things going, and I will send the checks home. He certainly cannot afford to fly back and forth every weekend because they are not going to compensate him any extra for that.

He is living on a budget. As you know, Southeast Asia is bad, but even the move within the country, for people who are in their 50's and late 40's, is a difficult one. That is why the Defense Department can say, we offered them a job but he turned it down. The fellow did not turn it down because he did not want or need employment. It is because the overall cost would be a loss to the man.

Mr. WILSON. So, 4,000 is probably a very small figure when you think of the impact on the business community.

Mr. ST GERMAIN. Right, we estimate a greater impact and this is conservative because it comes from the Office of Economic Adjustment. Certainly they are trying to keep it down as low is possible but they estimate in addition 7,000 jobs in the areas in Newport and Quonset that are going to go begging—they are going to be lost. People that worked in industries that serviced the military. Remember they are taking 17,000 military out of the State of Rhode Island.

Mr. WILSON. I am surprised, as Mrs. Heckler testified, at the refusal of the Department of Defense to have some responsible official meet with you to justify the closing of these bases. I will make some inquiries.

Mr. TIERNAN. Fred and I always voted for military construction and also the military appropriations bill. We have supported amendments to curtail our involvement in Southeast Asia. One thing I would like to point out is the fact that in our State we have less than a million people. And the total number of employees in the State is a very significant factor in relation to the total loss of employment. The 17,000 military and over 4,600 civilian employees. So that impact has to be related to the total working number of people within the State, to show you what it is going to mean to us.

Mr. WALDIE. May I ask Mr. Wilson a question?

Relative to the practices of the Armed Services Committee, do base employers in any way receive any scrutiny from the subcommittee of the Armed Services Committee?

Mr. WILSON. No.

Mr. WALDIE. Does it automatically approve, absent some major protest?

Mr. WILSON. In the past, we have received advance information that they were considering closing a base. In this case, members of the committee were given an opportunity before the official announcement was made to review matters within their own States. However, the final decision rests with the administration.

Mr. WALDIE. This sort of inquiry, our inquiry has gone beyond our narrow limits, and I have no objection to it. But it is hard for me to believe that the Navy gives a damn what this committee thinks about its activities.

I do not think it much cares what the Armed Services thinks but if they have any concern, it would be with Armed Services.

Mr. WILSON. It seems to me, Mr. Chairman, that is a possibility of overlapping jurisdiction. If we were to try and make some inquiries of the Department of Defense, itself, it would be wise to discuss it with the Chairman of the Armed Services Committee and attempt to get his cooperation. Very likely he would give it to you.

Mr. WALDIE. I think we should sit down with him. I am not concerned about overlapping jurisdiction, but I am concerned with trying to get some results that are beneficial to the people affected. I am awfully afraid that our area is so limited that our effect, if a positive one, will be in terms of delaying closures until we have had an opportunity to look at the consequences much beyond those that have been examined so far. That will only occur if the Armed Services Committee insists upon those delays.

Mr. WILSON. We have a direct concern, of course with civilian employees.

But I think if there is some way we could work together, the two committees, we could probably obtain more information and achieve a more objective solution.

Mr. WALDIE. Well, I guess you are the only member of our committee who is also on Armed Services.

Mr. WILSON. Dick White is a member.

Mr. WALDIE. I would suggest you and I sit down with the chairman and see what we can work out.

Mr. WILSON. All right, I shall be happy to.

Mr. WALDIE. Do you have other matters?

Mr. TIERNAN. No.

Mr. ST GERMAIN. I would also like to thank you for hearing us out. We both realize that your jurisdiction is limited. By the same token, I am sure you can see from our reaction to your questions and our testimony that we have been frustrated. We have not had a forum. We have not been able to talk to the President, or anyone.

Frankly, despite your limited jurisdiction, it has been refreshing for us to get some of this off our chests because it has been terribly frustrating.

We are concerned with the average working people in our state

that are going to be affected. We are also concerned with the taxpayers of America who are going to bear the cost of these moves above and beyond the defense budget and the navy budget, and for housing and education. So I am very grateful to you gentlemen.

Mr. WALDIE. I think it has been helpful to us, too, to the committee, because our responsibility is a real one concerning the impact, for example, on retirement funds, of these early retirements that will now be precipitated. The whole question of what happens when a major Federal installation is terminated, what happens to the Federal workers is clearly within the responsibility of this committee and I have no apologies for intruding into this area.

But I really believe the part of the solution to the problem with which we are confronted, which are many faceted will only be found through the Armed Services Committee.

Perhaps we can encourage their interest in the subject, too. Your testimony has been most helpful to us and we appreciate that. Thank you, gentlemen. The subcommittee will be adjourned.

[Whereupon at 11:55 a.m. the subcommittee adjourned.]

[The prepared statement submitted by Mr. St Germain follows:]

PREPARED STATEMENT OF HON. FERNAND J. ST GERMAIN, A REPRESENTATIVE
IN CONGRESS FROM THE STATE OF RHODE ISLAND

Mr. Chairman, when the Department of Defense on April 17 announced plans to consolidate, reduce or close 274 military installations, no area of the country was more critically and heavily affected than my own State of Rhode Island.

At Quonset Point, the Naval Air Station and the Naval Air Rework Facility are being closed. At Newport, the entire cruiser-destroyer fleet is being transferred. The Newport transfer of more than 13,000 military personnel will commence during the month of June and will be substantially completed by the end of the summer.

The Navy has been the largest employer in Rhode Island. In one devastating blow, 80 percent of those jobs are to be wiped out. The Rhode Island economy was already under strain with an unemployment rate over 6 percent. Now we face the prospect of over 4000 Federal civilian employees losing their jobs, and 17,000 military personnel transferred. Moreover, there will be an indirect loss of at least 7000 additional civilian jobs. Reliable estimates forecast that unemployment will certainly rise to over 8 percent and may reach 10 percent.

The Governor of Rhode Island, Philip W. Noel, will present the full dimensions of the economic impact on the State before this subcommittee on Friday.

Constant, persistent and relentless efforts to date have failed to bring about an opportunity to discuss this horrendous situation with the President. Because we feel that the alleged economies are fallacious, and that inadequate consideration has been given to all the factors involved, we intend to continue our efforts to reverse the decision to shut down our naval installations.

Should this not be accomplished, Congress, I feel, should insist that the Defense Department postpone its phase-out schedule for at least a year to rectify the gross injustice that is being done in Rhode Island to, among others, Federal employees by the lack of adequate notice. In an upheaval of this kind, with scarce job opportunities, the Federal employee needs time to make plans for his future to provide for himself and his family.

Considering the magnitude of the lay-offs, and the already high unemployment we have in Rhode Island, the short warning time and rapid phase-out timetable is indefensible.

I did not expect to see such callousness and insensitiveness by the Defense Department to Federal employees.

I'm asking for a little human consideration for workers and their families. We need at least an extra year.

I would ask that this committee, because of the adverse effects on Federal employees, help bring the pressure of Congress to bear upon the Defense Department for a one year postponement.

If it were clear that these moves were for the good of the country, that they improved the national defense and that they meant significant savings of public revenues, then Rhode Islanders and government employees there would willingly make the necessary sacrifices.

But that is not at all clear—far from it. Justifications by the Defense Department have been inadequate at best. Repeated efforts by the Congressional delegation to get in-depth answers have been unsuccessful. The President has not responded to a request for a review of the situation.

In my opinion, Federal employees who have served the Navy for 20, 25, or 30 years have a right to a full and convincing explanation of the necessity of these changes. They have not heard it. This is high-handed, insulated, Government decision-making without responsiveness to the people at its worst. Admittedly, it is not untypical of the present Administration.

I feel that Federal employees are entitled to be completely reassured as to the integrity of the planning and decision-making process. I mention this because I know that the Chairman recognizes the importance of the morale factor among Federal employees.

Besides calling for a one year postponement in the base closings in Rhode Island, I would like to ask this subcommittee to address itself to ways in which Federal employees can be assisted in the event that these closings cannot be reversed.

First of all, I wish to endorse the bill introduced by Chairman Waldie, H.R. 7731, with its provisions for early retirement, health benefits, and readjustment allowances.

I note particularly the importance of continuing the Federal health benefits of any employee subject to a reduction in force. I strongly support this provision to continue the health benefits for as long as three years or until reemployment. Presently, there are no health benefits after separation.

Likewise, I hope the subcommittee will adopt the provisions for a readjustment allowance of 75 percent of average weekly wage for 52 weeks, or until reemployment.

In addition to this legislation, I hope the committee will consider eliminating the 2 percent annuity reduction for those who retire between the ages of 50 and 55.

With regard to early retirement provisions, I would also ask the committee to consider making those with 20 years of Federal service eligible for retirement if the Government cannot offer them comparable employment within six months after separation. Such retirement might be at a reduced level, but in no case should the reduction exceed 25 percent.

I would also favor legislation allowing those who retire after June 30, as a result of a reduction in force, to be eligible for the 6.1 percent cost-of-living increase at any time before computation is made for another year.

I feel that provisions such as I have mentioned are especially necessary and appropriate when large-scale layoffs occur in high unemployment areas.

Knowing the compassion and concern for the welfare of Federal employees that is found among the Members of this subcommittee and in its excellent Chairman, I am confident that I am not being presumptuous in asking that these recommendations be given every consideration.

[The prepared statement submitted by Mr. Tiernan follows:]

STATEMENT OF HON. ROBERT O. TIERNAN, A REPRESENTATIVE
IN CONGRESS FROM THE STATE OF RHODE ISLAND

Mr. Chairman, I want to thank you and your Colleagues on the Committee for providing me this opportunity to speak briefly about the human impact of the base closings in Rhode Island. As you know, two naval installations are affected by the Administration's action announced on April 17th, Quonset Naval Air Station and the Newport Naval Base. At Quonset approximately 4,000 civilian jobs will be eliminated and the facility will be disestablished. Over in Newport 725 civilians will be dislocated as a consequence of the planned transfers of 39 ships presently berthed there. Quonset is located in the

Second Congressional District which I represent and Newport is in the First District represented by my friend and Colleague, Fred St Germain.

With this in mind, I will address myself to some of the statistics that apply to the quonset complex—3,512 permanent jobs held by civilians at Quonset will be eliminated. In addition there are a number of temporary positions presently in force which of course will be eliminated; some 400 are in this latter category.

The personnel situation at Quonset as of Monday this week is as follows: 551 job offers from other Naval Rework Facilities have been made available to Quonset employees; so far 52 have accepted and 41 have declined.

Secondly, 322 employees have filed for retirement benefits and 127 have filed for disability benefits.

Of the 3500 employees at Quonset affected by the closing, a total of 1500 are eligible for either optional retirement or discontinued annuity. Obviously, there are employees in the latter category who do not want to retire. Therefore, we are talking about a figure greater than 2300 when we talk about actual job dislocations.

I feel very strongly about the creation of a special Federal program to assist those employees who are being thrown out of work and who cannot retire. I am a co-sponsor of Majority Leader O'Neill's bill, H.R. 7485, which would provide readjustments allowances, job opportunities, full early retirement, relocation benefits and retraining opportunities. I believe it includes similar provisions that are part of your bill Mr. Chairman, H.R. 7731. I have also sponsored legislation that would assist communities who are adversely affected by the closing of a military installation by way of technical assistance to attract new jobs and new industries.

I believe the government has a moral responsibility to help these people and the communities in which they live. In recent years the Navy has encouraged the impression that they were a permanent part of the landscape in Rhode Island. Navy brass encouraged the building of more housing units and creation of new service industries. And now we are confronted with the April announcement. There is a feeling among many people in Rhode Island that they were deceived.

Mr. Chairman, I urge your Committee to act on the legislation presently pending that would assist this fine group of citizens who have given untold years of service to the Federal government. This has been their life and they should not now be sacrificed in an insensitive way. I pledge my support to help them in their time of need.

**FEDERAL EMPLOYEE ASSISTANCE IN A REDUCTION
IN FORCE**

FRIDAY, JUNE 8, 1973

U.S. HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON RETIREMENT AND EMPLOYEE BENEFITS,
COMMITTEE ON POST OFFICE AND CIVIL SERVICE,
Washington, D.C.

The subcommittee met, pursuant to recess, at 9:40 a.m., in room 210, Cannon House Office Building, Hon. Dominick V. Daniels (acting chairman) presiding.

Mr. DANIELS. The Subcommittee on Retirement and Employee Benefits will come to order.

Our first witness this morning is the Honorable Philip W. Noel, Governor of the State of Rhode Island.

I want to extend a most cordial welcome. I notice you are accompanied by my very able and distinguished colleague, Mr. Fernand St Germain, who represents District I of your State.

I might say to you that he is a very hard-working, energetic, and capable Congressman and you should be very, very proud of him as we are down here. I am quite sure that Congressman St Germain will do his utmost for the State of Rhode Island and its problems, particularly the problems about which you will testify this morning.

We have similar problems in the State of New Jersey, as a matter of fact, in my own congressional district. Your testimony this morning, I think, will be quite helpful.

Mr. St Germain, do you desire to be heard?

Mr. ST GERMAIN. Yes; I would appreciate the opportunity, Mr. Chairman, to introduce the very young and energetic and hard-working Governor of Rhode Island.

He was elected to his first term as Governor and he had been mayor of one of our major cities for a good period of time. Shortly after his taking office what I call an unnatural disaster or a created disaster hit Rhode Island in the form of the announced close-downs of our Naval installations.

The Governor has appointed a task force. Though we have been fighting in Rhode Island to keep these bases open, we had to face the prospect of should we not be successful in that endeavor, we had to prepare for the eventualities.

The Governor, as I say, has put together an excellent task force of very fine technical personnel, and I am sure he will tell you about this this morning.

Accompanying the Governor are Mr. Glenn Kumekawa, the chairman of the Economic Renewal Coordinating Center for the State;

Mr. Keven McKenna, chairman of the State Manpower Planning Council; Mr. Wilbert E. Fritz, president of the National Association of Government Employees out of Quonset; and Mr. Dominick Montana, who is president of the Quonset Point Association.

The Governor will be giving the formal testimony and they are available for technical questions along with the Governor. I thank the chairman for allowing me this opportunity to introduce my very dear friend, the Governor of the State of Rhode Island.

STATEMENT OF HON. PHILIP W. NOEL, GOVERNOR OF THE STATE OF RHODE ISLAND, ACCOMPANIED BY GLENN KUMEKAWA, CHAIRMAN, ECONOMIC RENEWAL COORDINATING CENTER; KEVEN A. MCKENNA, CHAIRMAN, STATE MANPOWER PLANNING COUNCIL; WILBERT E. FRITZ, PRESIDENT, NATIONAL ASSOCIATION OF GOVERNMENT EMPLOYEES; AND DOMINICK MONTANO, PRESIDENT, QUONSET POINT ASSOCIATION, LOCAL NO. 7, REGION I

Mr. DANIELS. I might say, Governor, that we are most pleased to have you appear before the subcommittee to testify on this subject matter.

Governor NOEL. Thank you very much, Mr. Chairman and Congressman St Germain. I deeply appreciate this opportunity to testify before this committee.

In the last few years we in Rhode Island have found that, with the exception of our congressional delegation, there have been few persons in Washington willing to listen to the concerns of the State's Federal workers.

I have a very lengthy statement that I would like to incorporate by reference into the record. I don't see any need, Mr. Chairman, to go through the entire written statement.

Mr. DANIELS. You may proceed, if you will, to highlight your statement and summarize your recommendations.

Governor NOEL. Fine. That will be less painful for me and less painful for you, Mr. Chairman.

I would just like in summary to point out a few highlights. It was April of 1973 when the administration announced that the Quonset Point Naval Station and the Naval Air Rework Facility would be closed down and that the entire destroyer fleet would be removed from Newport.

As a result of those announcements Rhode Island is now facing its most severe economic crisis since the eve of the depression.

For our State to respond to this crisis we must have the support and attention of Congress and committees of Congress like your own.

From the tables that we have submitted in our written testimony you will see that the smallest State in this Nation was required to take more than 50 percent of the burden of the cutbacks announced for the Nation. Civilian job losses as a result of these closures are much greater than the number of civilian workers who are employed at the bases.

Because the Navy will no longer be purchasing in the State, and because Navy personnel will no longer be consumers within the State, and because unemployed workers do not continue spending at the same levels as when they were employed, there will be a general decrease in the business volume within the State. We are projecting a potential secondary civilian job loss of 20,900 jobs in the Rhode Island region, 16,900 of which will occur within the State.

This means a total job loss—primarily plus secondary impact—of 25,400 civilians in the region, 21,400 of which will occur within the State.

Mr. DANIELS. Governor, when you refer to the region what area are you encompassing?

Governor NOEL. It is mostly the triState region—Connecticut, Massachusetts, Rhode Island.

Many of the workers at Newport and many of the private sector businesses that service the 17,000 military personnel in that area come from the Fall River-New Bedford area of Massachusetts, so the region is Rhode Island and Southeastern Massachusetts. Of course there are other New England States that produce goods and material and food products that are consumed by the 17,000-plus military personnel that are being relocated elsewhere.

If these projections hold through, Mr. Chairman, the number of unemployed persons will approximately double and the unemployment rate will go up from its current 5.7 percent level to about 11 percent or more.

I would like to mention the characteristics of the Federal workers who are losing their jobs. I think that is especially appropriate in testifying before this committee.

The Civil Service Commission informs us that the average age of the civilian workers at the Naval bases is 48 at Quonset Point and 53 at Newport.

The average wage, including fringe benefits, is \$10,000 at Quonset and \$9,500 at Newport. Some of these men are eligible for some kind of retirement benefits. At Quonset 10 percent are eligible for optional retirement benefits and 30 percent are eligible for discontinued service benefits.

At Newport the figures are 15 percent for optional and 15 percent for discontinued service benefits. All of this is enumerated in the tables we have submitted with the written testimony.

Of these workers, 60 percent are veterans. The age distribution of the workers is very uneven. There is a large group in the 45 to 55 year age category and another large group in the 25 to 35 age category with almost no one in the 35 to 45 age category. This means that there are two categories of workers and two categories of problems that these workers face.

In the written testimony you will see that we distinguish between the problems that will be faced by the older workers and the problems that will be faced by the younger workers.

The problems of the Federal workers in Rhode Island extend far beyond the loss of their Navy jobs. Their loss of employment will have a tremendous impact on the communities in which these workers and their military counterparts have lived. The impact of Naval

cutbacks on education for example, extends across all three levels of the Federal system and has left serious questions about the ability of some of the local school systems to continue their programs for the children of the Federal workers about to become unemployed.

This is all very graphically depicted in the written testimony and the tables that we have submitted with that testimony.

The housing situation is extremely complex. These Federal workers are going to sustain a substantial reduction in the value of their real property. It is even possible that some of the value reduction in their real estate can result in their property being worth less than its present mortgage value.

There is going to be a very substantial effect on retail trade and on State and local finances. I think this is especially important, Mr. Chairman, when you consider that the losses of Federal wages and salaries, Federal educational aid, and home ownerships by Federal and Naval employees will have a counterproductive impact on State and local finances.

Rhode Island will have less revenue at a time when there will be a greater demand for more services for former Federal employees and their families.

As a State we are willing to do all we can to help these former Federal employees. However our response will be limited by our financial capabilities and that financial capability will be severely limited by the actions of the Federal Government in announcing these closures and these military curtailments.

The extent to which Rhode Island will be able to respond to the problems of employees will be a function of the amount of aid that the Federal Government is willing to commit to the State.

First, the State will require significant additional financial commitments from the Federal Government for manpower programs, for technical assistance programs, for economic development programs, for education, and other social service programs.

To date, under the administration's special revenue-sharing strategy, we, like other New England States, have only received cutbacks in those areas where we are attempting to solve problems.

Second, we will need significant individual aid for Federal employees.

And, third, we will need a commitment by the Federal Government to cut red tape required to get programs started in our State so that we can begin the process of economic recovery.

We have been working with the Economic Assistance Committee of the Department of Defense and they have given us encouragement by indicating that they are prepared and that they will commend significant aid in many areas. However, so far these are just statements. We haven't seen any of that help. We haven't been able to sense that this is more than just words of encouragement.

We estimate that we will need at least \$20 million in manpower development and training funds in order to help retrain Federal employees and related private sector employees for jobs. And I think some of the other witnesses can tell you of some of the job offers that have been extended to some of the employees that are being let go and how many of those offers are not relevant because

the skills do not match the job openings that are surfacing, so that manpower retraining moneys are especially critical if we are going to help these Federal employees.

We estimate that we need over \$200 million in public works funds to start capital development projects that will spur the State's economy and provide jobs for unemployed Federal workers in the interim before new private industry can be brought into the reconverted Naval facilities.

We estimate that we will need at least \$5 million immediately in manpower funds and \$1 million in technical assistance money to get our reconversion efforts under way and before these employees are released.

From the Congress we need changes in existing legislative authorities which would (1) allow more generous pension benefits to young Federal employees losing their jobs in high unemployment areas such as our State; (2) legislative authority which would allow Federal workers to carry their pension rights into new jobs in the private sector; (3) action that would allow Federal workers to continue to receive Federal health benefits until they obtain new jobs; (4) action that would allow impacted aid for education of the children of unemployed Federal workers to continue for at least 2 years after the Federal base closures; (5) relief that would allow existing programs for economic and urban development to be integrated into one bloc grant free of cumbersome guidelines; and, finally, legislative authority that would allow the definition of disaster aid in Federal aid programs to include unnatural disasters such as base closings with this relative magnitude of impact.

Mr. Chairman, Rhode Island needs the help of Congress and in particular the help of thih subcommittee. Any influence that your subcommittee could bring to bear upon the Federal bureaucracy to help our State will facilitate our own effort to help the Federal workers who have been hit by these Naval cutbacks.

In brief, that is a summary of what is contained in the written testimony that we have presented for incorporation in the record of your proceedings.

[The prepared statement submitted by Governor Noel follows:]

PREPARED STATEMENT OF HON. PHILIP W. NOEL, GOVERNOR OF THE STATE OF
RHODE ISLAND AND PROVIDENCE PLANTATIONS

Mr. Chairman ant distinguished members of the committee, your invitation to testify is greatly appreciated. In the last few years, we in Rhode Island have found that, excepting for our Congressional delegation, there have been few persons in Washington willing to listen to the concerns of our state's federal workers. Your interest in the economic disaster that has befallen our state and our federal workers is most welcome.

Since 1969, our federal workers at our naval installations have heard a great deal of encouraging rhetoric and have been hurt by a series of cutbacks—culminating in the shutdown announced in April of 1973.

In 1969 and in 1970, representatives of the Department of the Navy were telling the citizens of our state that they should be hospitable to the Navy. We should build more schools, more homes, and be more sympathetic to the problems of the Navy. The communities of our state responded to those pleas and undertook new education and housing programs.

Our naval civilian workers were told that they must be more productive and more cost effective because there were less defense dollars available.

The workers responded. The naval air rework facility at Quonset Point, the state's largest industrial facility before 1969, became the most efficient rework facility in the Nation.

What was the response of the Department of the Navy? In those years our naval civilian workforce was cut by nearly 20 percent—from more than 10,200 workers to not more than 8,400 workers, and the number of military personnel was reduced by more than 25 percent.

However, in the Fall of 1972 Rhode Island was promised a savior.

The Committee to Re-elect the President placed advertisements in our state newspapers promising our people that our naval bases would remain open if they voted for the President.

Rhode Island voted for the President.

And in April of 1973 the Administration announced that Quonset Point Naval Station and Naval Air Rework Facility would be closed down and that the destroyer fleet would be removed from Newport.

Mr. Chairman, that is the record of the federal Administration in Rhode Island. It is a record of insensitivity. They have played games with the fears and hopes of federal workers while plans were underway to eliminate their economic well-being. It has refused to listen to the pleas of the workers to extend the time frame for the cutbacks.

As a result, Rhode Island is now facing its most severe economic crisis since the eve of the depression. For our state to respond to this crisis, we must have the support and attention of committees of Congress like your own. We are facing a federally induced depression, and it is extremely important that those of you here, at the apex of our federal structure, understand the dimensions of the crisis faced by the state of Rhode Island, and in particular, by the federal workers in Rhode Island.

Allow me to outline for you the dimensions of this crisis in terms of the unemployment impact of the naval cutbacks in Rhode Island; the impact of these cutbacks on our federal workers, in particular the older workers; the impact of the cutbacks on our federal workers and on our communities; and of what the response of the federal government should be.

THE UNEMPLOYMENT IMPACT

On April 16, 1973, the Department of Defense announced the "disestablishment" of the Naval Air Station and the Naval Air Rework Facility at Quonset Point and the "realignment" of the Naval Base at Newport.

You can see the impact on the State of Rhode Island from Table 1, which I have enclosed. If you take the loss of civilian employees and military personnel together, you will see that the smallest state in the nation was required to take more than fifty percent of the burden of the cutbacks announced for the nation.

In the absence of adequate federal programs to counteract the closure of the bases, the civilians job losses as a result of these closures are much greater than the number of civilian workers who were employed on the bases. Because the Navy will no longer be purchasing in the state, because Navy personnel will no longer be consumers in the state, and because unemployed workers do not continue spending at the same levels as when they were employed, there will be a general decrease in the business volume of the state. Decreased business volume and purchasing power will result in further job layoffs, which, in turn, will result in further decreases in business volume and purchasing power.

We are projecting a potential secondary civilian job loss of 20,900 jobs in the Rhode Island region, 16,900 of which will occur within the state. This means a total job loss—primary plus secondary impact—of 25,400 civilian jobs in the region, 21,400 of which will occur within the state. See Appendix I for the derivation of these figures.

If these projections hold true, the number of unemployed persons will approximately double, and the unemployment rate will go up from its current 5.7% to about 11% or more.

I should like to point out at this time that the state's economy, even before these cutbacks were announced, has not been as healthy as the nation's economy. Last month, the state's unemployment rate dropped below 6% for the first time in two years.

The closure of these bases will halt the momentum we have been able to build up and will instead thrust the state's economy into a federally sponsored crisis of near-depression proportions.

Last week the Department of Defense announced its firm and final decision that the reductions will take place by June 1, 1974—349 days from today.

We are informed that these reductions in force will be scheduled at a somewhat proportionate rate over the next 12 months, that the Department of Defense is hopeful that many of the workers will transfer to other Naval Airwork Facilities and that many others will accept early retirement.

We are not that hopeful. Many of the workers who could retire have retired as the result of the pressure that they have received from earlier cutbacks.

Since the Department of Defense is cutting back employment across the nation, it is not expected that there will be many positions available for Rhode Island workers in other states—even if they were willing to uproot their families and move.

The predicament of the federal workers in Rhode Island is very complicated and most frustrating. It is complicated, in that it is not clear if any of the many varied federal programs that are on the books will be helpful. It is frustrating, in that they have little hope of obtaining another job with the same level of benefits that they now receive. It is frustrating, in that the retirement option and the transfer option are not realistic choices for most men. Those are possibilities that only cover over the utter despair that they face because their fate is not really in their own hands.

Let me examine the characteristics of those federal workers losing their jobs.

The Federal Civil Service Commission informs us that the average age of the civilian workers at the Naval Bases is 48 at Quonset and 53 at Newport. The average wage, including fringe benefits, is \$10,000 at Quonset and \$9,500 at Newport.

Some of these men are eligible for some kind of retirement benefits. At Quonset, 10% are eligible for "optional" retirement benefits and 30% are eligible for "discontinued service" benefits. At Newport, the figures are 15% for optional, 15% for discontinued service benefits. See Table 2.

Of the workers, 60% are veterans.

The age distribution of the workers is very uneven:

There is a large group in the 45-55 age category, and another large group in the 25-35 age category, with almost no one in the 35-45 age category.

This means there are two categories of workers, and two categories of problems these workers face.

The older worker

Here is a steady, responsible worker, who has worked for a long time on the base and has been trying to take care of himself and his family. He has bought a home on a mortgage and is trying to provide a college education for his children, but he has not yet succeeded in establishing security for himself and his family. Faced with the loss of his job within a year, he finds himself just short of a full pension; just short of paying off his mortgage; just short of educating his children; and just short of taking care of himself and his family in a way he considers decent. He is also just a little too old to move easily into another job at a comparable skill and pay level without some retraining and a robust economy to provide the new job openings. In many instances, his age is the sole reason for non-acceptability by private sector employees.

Even those men who are eligible for early retirement are not necessarily free of problems. Early retirement appears to have a detrimental effect on mental and physical health, according to studies analyzed by the Rhode Island Department of Social and Rehabilitative Services.

We are told that the physical and mental health of many workers will be seriously affected. There will be increased feelings of alienation and worthlessness by those who were forced to give up their productive capacities.

The anxieties of these men are not helped by the thought that they stand ready to lose their pensions and extensive health benefits even if they obtain a new job in the private sector.

Since there will be few other federal jobs open to them, and since their

pensions are not portable, they stand to lose their substantial pension privileges if they accept a job in the private sector.

If there is a substantial interval before they obtain a job, they face the possibility of having a major illness without the benefit of health insurance coverage.

The younger worker

Here is another skilled, responsible worker. He has just started a career, just started or completed an apprenticeship program, just started to begin his own family and a home. He now finds himself out of a job in a region with minimal work opportunities at his level of skill. Some will find new jobs in the area, but to the extent that it is not a new job and he outcompetes some one else for it, we still have a social problem. It is not the naval civilian worker who is unemployed, but someone else is.

Some will move out of state. That is an easier option for a younger person. And certainly, he should be aided in some way if he has to move to get a job. But it has never been a positive element of social policy to encourage, under duress, a mass migration of skilled workers to another area of the country. Only the continued development of the regional economy will solve this problem.

COMMUNITY IMPACT

The problems of the federal workers extend beyond their navy jobs. Their loss of unemployment has had a tremendous impact on the communities in which these workers and their military counterparts have lived.

The state and communities of Rhode Island have sacrificed much to accommodate the needs of federal and military employees. We have spent additional funds to increase the height of the Newport Bridge so that carriers could pass under it. Our builders and communities have invested tremendous sums in new residential construction. Sewer and water lines for the homes of military personnel who are now living in our state have been built and expanded. School systems for military and naval civilian families have been substantially expanded and continuing growth predicated upon naval needs.

Our state and the communities of our state have based their budgets, already approved, for the coming year on the expectation of a continued flow of tax resources from the federal military and civilian personnel.

We are now faced with the loss of these revenues and the continued burden of paying for the costs of those programs which were established in response to naval needs. Consequently, we as a state are less able to serve the needs of the unemployed federal worker. In summary, the Navy has left our state with unemployed workers and unpaid debts.

Allow me to elaborate on those impacts on education, housing, the private business sector, and on state and local government.

EDUCATION

The impact of naval cutbacks on education extends across all three levels of the federal system and has left serious questions about the ability of some local school systems to continue their programs for the children of unemployed federal workers. Educational facilities were needed for the proper schooling of Navy-dependent children and children of federal workers. The facilities were built, teachers were hired, and the communities put forth their best efforts to accommodate the needs of the Navy personnel. With the children there and the buildings built, the towns received impacted aid from the federal government for the operation of these schools because the tax base of the community did not include tax-exempt federal property. But now that the children will be leaving, the impacted aid will stop. But the community is left with unnecessary buildings, bond debts and unemployed teachers to contend with.

As you can see from Table 3, these types of problems exist primarily in the towns of Newport, Middletown, Portsmouth, and North Kingstown.

In those towns an estimated 7,000 students will be affected, ranging from an estimated portion of 20% up to 50% of the school population. Teaching positions affected in these four communities might be as high as 350, which amounts to a potential income loss of \$3,200,000. The overall annual loss in federal impact aid to these communities will be about \$2,500,000 out of

a total loss to Rhode Island of approximately \$3,500,000, again based upon current available data.

In addition, the towns have had to build new school facilities—either new structures or additions to old structures—to provide for the impacted aid children. They were paid for, only in part, by Public Laws 815 Funds. The children will be gone, but the buildings will stay, and the bond issues which were needed to finance the new construction still have to be paid even though the facilities will be in part, unneeded. See Table 4 for the status of educational bond issues.

In summary Rhode Island will still have many children of former federal employees to educate, and very little of the federal funds needed to accomplish that task.

HOUSING

The housing situation is extremely complex. Former federal employees and military personnel who wish to move and to sell their house are facing a risk of some very substantial losses on their housing investment.

Although there are federal programs supposedly designed to soften the impact of the loss of value, there really does not appear to be any indication that the federal government has developed a system in Rhode Island for measuring the loss of value in housing to federal employees brought about by the naval withdrawal.

The problem has further aggravated the problem federal workers remaining in Rhode Island have, either obtaining mortgages or preventing foreclosures on their homes.

This impact on federal employees extends to the construction trades where there will be even greater unemployment as the result of the drop in new housing construction.

The focus of these housing problems, as outlined in Table 5 will be chiefly in the Newport and Jamestown areas.

RETAIL TRADE

Within these communities, several business sectors will be particularly hard hit—retail trade and services.

According to a Chamber of Commerce impact survey in Newport, of only 126 businesses surveyed, there were indications that 74 will go out of business, 615 full-time losses in jobs, 392 part-time losses in jobs, local taxes lost—\$408,541.

Impacts such as these on local business will mean that there will be a significant loss of federal funds to aid small businesses. The federal government does not appear to be too willing to aid small businessmen who have few long range prospects.

The Newport Chamber of Commerce statement indicates that there is some expectation that from 30 to 60 percent of borrowers of approximately \$5.5 million in Small Business Administration loans are expected to default.

The impact on the retail sector will in turn have a detrimental impact on private sector employment in those areas and on the level of tax revenues produced by those businesses. This brings me to another aspect of the impact of the cutbacks—the impact on local and state finances.

STATE AND LOCAL FINANCES

The losses of federal wages and salaries, federal education aid, and home-ownerships by federal and naval employees will have a counter-productive impact on state and local finances.

We will have less revenues at a time when there will be a greater demand for more services for former federal employees and their families.

Education costs make up 39 percent of the state budget and more than sixty percent of many local budgets. The property tax, the sales tax and the state income tax are the chief sources of revenues for those costs.

At a time when the state has been estimated to lose from as much as \$20 million to as a little as \$2.5 million in tax revenues and at a time when local property tax revenues may possibly drop in impacted communities, the federal government will also be withdrawing its substantial financial support for impacted aid, as the result of the navy losses, and for the housing, as the result of Housing and Urban Development Department cutbacks.

As a state, Rhode Island is willing to do all it can to help former federal employees, however, our response will be limited by our financial capabilities—and that capability has been severely limited by the actions of the federal government.

The extent to which Rhode Island will be able to respond to the problems of federal employees will be a function of the amount of aid that the federal government is willing to commit to the state.

First, the state will require significant additional financial commitments from the federal government for manpower programs, for technical assistance programs, for economic development programs, for education and other social service programs. To date, under the administration's special revenue-sharing strategy, we, like the other New England states, have only received cutbacks in those programs.

Second, we will need significant individual aid for federal employees.

Third, we will need a commitment by the federal government to cut red tape required to get the programs started in Rhode Island for economic recovery.

Allow me to elaborate on those points.

CRISIS MAY BE AN OPPORTUNITY

The Chinese use two symbols to describe the word crises—the symbol for danger and the symbol for opportunity. While there is no doubt that Rhode Island and its federal employees are facing a significant economic danger, this crisis also presents our state with some opportunities—an opportunity: to diversify the state's economic base, to mobilize community interests to work together more effectively, to attract new firms by a surplus of skilled workers, and in short, to develop the state's economy in new directions in a coordinated manner.

How can this view be reconciled with predictions of a disaster? Recovery is possible under certain conditions. Those conditions are: reuse by the state of the naval base, additional monetary assistance for manpower training programs, and additional monetary assistance for public works predeveloped projects and to maintain purchasing power in the state.

Fulfilling these conditions depends, in large part, on federal government action. State government cannot decide the disposition of federal land. State government does not have the funds necessary to finance the needed training and public works programs. Rhode Island does not even have the option of transferring depressed area assistance funds from one part of the state to another as the entire state must be considered depressed.

FEDERAL COMMITMENT TO DATE

Clearly, since the unemployment problems resulting from the closure of the bases is in addition to existing unemployment, more than existing federal funds will be necessary. However, the federal response so far has not been too encouraging.

The total National Department of Labor budget request has decreased by \$1.4 billion for FY-74 because of the "improving economic situation" and reduced unemployment nationally, according to Secretary Brennan in testimony before the House Appropriations Subcommittee. The economic situation he cites does not hold true for Rhode Island. Under the circumstances, it would seem logical that Rhode Island receive a larger share of the cut-back funds because of its new hardship. The Department of Labor's Regional Manpower Administrator has asked my office for "an estimate of the total manpower resource level which will be required to ameliorate the specific effects of defense reductions." He added, "However, it should be emphasized that no additional resources should be expected for this purpose."

This statement clearly indicates that Rhode Island, a high unemployment state, should reallocate insufficient and reduced funds originally intended to assist an existing condition, and redirect a major portion of those dollars to meet a new federally imposed crisis. Federal "assistance" of this sort is tantamount to "pouring salt in the wound."

We have recently received assurances from the Secretary of Defense that "everything possible will be done to assist the affected local communities, as well as Defense employees, to overcome the negative impact of these realignments."

He said: "In the interim period, manpower, small business and homeowner's assistance resources are being mobilized. In addition, the Office of Management and Budget will be available to assist the impacted communities."

The Secretary of Defense promised that all efforts will be made to locate Rhode Island civilian employees in employment in military facilities in other parts of the country.

While we are encouraged by those promises and by the spirit of cooperation shown by staff officials in the DOD's Office of Economic Readjustment, we have yet to see an actual result from those promises.

We need financial help from the Federal government, not just good will.

We need at least \$20 million in Manpower Development and training and Economic Opportunity acts program to help retrain federal employees and related private sector employees for jobs.

We need over \$200 million in public works funds to spur the state's economy and provide jobs for unemployed federal workers in the interim before new industries can be brought into the reconverted naval bases.

We need at least \$5 million immediately in manpower funds, and \$1 million in technical assistance funds to get our reconversion effort underway before employees are released.

We need to have the Navy lands made available to us without delay and without excessive red tape.

From the Congress, we will need changes in existing legislative authorities which would allow more generous pension benefits to young federal employees losing their jobs in high unemployment areas such as Rhode Island; allow federal workers to carry their pension rights into new jobs in the private sector; allow federal workers to continue to receive federal health benefits until they obtain new jobs; allow impacted aid for education of the children of unemployed federal workers to continue for at least two years after the federal base closings; allow existing programs for economic and urban development to be integrated into one bloc grant free of cumbersome guidelines for our state; and allow the definition of disaster aid in federal aid programs to include unnatural disasters such as base closings.

Mr. Chairman, Rhode Island needs the help of the Congress and in particular, the help of this Subcommittee. Any pressure your Subcommittee could bring to bear upon the federal bureaucracy to help Rhode Island will facilitate the State of Rhode Island's efforts to help federal workers hit by the naval cutbacks.

TABLE 1.—IMPACT OF CASE CLOSURES

PRIMARY IMPACT			
Base	Civilian	Military	Total
JOBS			
Quonset	4,360	4,217	8,577
Newport	725	13,162	13,887
Total	5,085	17,379	22,464
PAYROLL			
Quonset	\$63,200,000	\$29,154,000	\$92,373,000
Newport	22,132,000	91,118,000	113,250,000
Total	85,351,000	120,272,000	205,623,000
SECONDARY IMPACT			
		Rhode Island Region	Rhode Island State
Jobs		20,900	16,900

TOTAL IMPACT

	Civilian	Military
Jobs lost in Rhode Island	22,000	17,400

UNEMPLOYMENT IMPACT

	Current	Projected
Unemployment	23,700	43,000
Labor force	409,000	406,900
Rate (percent)	5.8	11

RHODE ISLAND BURDEN OF MILITARY CUTBACKS, 1973

	Civilian	Military	Total
Net job losses:			
Nationwide	26,200	16,600	42,800
Rhode Island	5,100	17,400	22,500
Rhode Island as percent of national			53

Source: Rhode Island Economic Renewal Coordinating Center.

TABLE 2.—ELIGIBILITY FOR RETIREMENT OF NAVAL CIVILIAN WORKERS

Base	Optional ¹	Discontinued service ²	Total
Quonset (percent)	10	30	40
Newport (percent)	15	15	30

¹ A worker is eligible for "optional" retirement benefits when he has reached the age of 55 and has 30 years of service. Benefits range from 55 to 80 percent of salary.

² A worker is eligible for "discontinued service" benefits when he has either: a. 25 years of service at any age; or b. 20 years of service at age 50. Benefits are based on the "optional" retirement range, but are reduced 2 percent for each year under 55.

Source: Federal Civil Service Commission.

TABLE 3.—IMPACTED AID STUDENTS

Community	Total students	Impacted aid students	Impacted aid students as percent of total students
Middletown	4,916	2,602	53
Newport	6,268	1,947	31
New Kingstown	7,290	3,345	46
Portsmouth	3,850	1,496	39
Total	22,324	9,390	42

Nota.—These figures include impacted aid students whose parents work at the Davisville CB Base, which is not being shut down, and the sections of the Newport facilities which shall remain. They comprise approximately 14 percent of impacted aid students.

Source: R. I. Department of Education, Division of Research Planning and Education.

TABLE 4.—OUTSTANDING DEBT ON SCHOOL BUILDINGS IN FEDERALLY IMPACTED COMMUNITIES ¹

Communities	Building	Outstanding Bonded indebtedness	Pupils		
			Total	Federal	Percent
Middletown	J. F. Kennedy Elementary	\$195,000	600	600	100.0
	High school	810,000	1,200	360	30.0
	Middle school	2,295,000	1,100	550	50.0
	Total	3,300,000	2,900	1,510	
North Kingstown ²	Davisville Junior High	975,000	1,061	615	58.0
	Adm. Hoskins Elementary	435,000	553	535	96.7
	High school	2,795,000	1,925	610	31.7
	Forest Park Elementary	170,000	450	180	40.0
	Hamilton Elementary	175,000	450	112	25.0
	Quidnessett Elementary	892,500	398	131	33.0
	Quonset Elementary	270,000	547	522	95.0
	Stony Lane Elementary	807,500	412	185	45.0
Total	6,520,000	5,796	2,890		
Portsmouth	Middle school	4,590,000	1,230	367	30.0
	High school	714,000	957	145	16.0
	Melville Elementary	325,000	340	299	88.0
	Hathaway	440,000	472	119	25.0
	Coggeshall elementary	70,000	282	58	21.0
Total	6,139,000	3,281	997		
Newport	Sullivan Elementary	120,000	459	219	48.0
	Rogers High	904,000	1,834	132	7.0
	Thompson Junior High	1000,00	1,195	334	28.0
Total	1,124,000	3,488	685		
Jamestown	Jamestown Elementary	500,000	550	129	23.5
Total for five communities		17,583,000	16,015	6,211	

¹ Only those buildings included on which there is outstanding debt and in which are housed significant numbers of federally related pupils.

² 60 percent of federally impacted students are from Quonset related families.

TABLE 5.—NAVY-RELATED FAMILIES IN NON-NAVY HOUSING, SELECTED COMMUNITIES

Community	Navy personnel families	Naval civilian workers families	Total
Jamestown	96	60	156
Middletown	918	290	1,208
Newport	935	698	1,633
North Kingstown	1,322	523	1,845
Portsmouth	815	211	1,026
Total	4,086	1,782	5,868

Source: R. I. Department of Community Affairs, Housing Assistance Section.

TABLE 5A

Community	Families of Navy military personnel	Families of Navy civilian workers	Estimated number of departing families	Total number of families	Projected percent increase in vacancies
Jamestown	96	60	75	1,153	6.5
Middletown	918	290	775	5,373	14.4
Newport	935	698	800	10,687	7.5
North Kingstown	1,322	523	800	6,778	11.8
Portsmouth	815	211	700	4,073	17.2
Total	4,088	1,782	3,150	28,064	

SOURCES

1. Rhode Island Department of Community Affairs, Housing Assistance Section.
2. Prorated from previous columns by taking appropriate RIF percentages for West Bay (0.56 and 0.85) and East Bay (0.83 and 0.13) communities, and assuming that 10 percent of affected civilians would move.

TABLE 6.—NAVY-RELATED FAMILIES IN NON-NAVY HOUSING AS PERCENT OF TOTAL FAMILIES, SELECTED COMMUNITIES

[Percent]

Community	Navy personnel families	Naval civilian workers families	Total
Jamestown.....	8.3	5.2	13.5
Middletown.....	17.1	5.4	22.5
Newport.....	8.7	6.6	15.3
North Kingstown.....	19.5	7.7	27.2
Portsmouth.....	20.0	5.2	25.2
Total average.....	14.0	7.0	21.0

Source: R. I. Department of Community Affairs, Housing Assistance Section.

TABLE 7.—SBA LOANS IN NEWPORT COUNTY

Location	Number of borrowers	Amount
Newport.....	66	\$2,908,490
Middletown.....	20	989,207
Portsmouth.....	15	780,300
Tiverton.....	6	791,500
Total Newport County.....	107	5,469,497

Source: R. I. Economic Renewal Coordinating Center.

TABLE 8.—SBA LOANS IN EAST GREENWICH, AND NORTH KINGSTOWN

Location	Number of borrowers	Amount
East Greenwich.....	11	\$546,300
North Kingstown.....	14	384,300
Total.....	25	930,600

Mr. DANIELS. Governor Noel, I want to compliment you on a very fine, detailed statement. I think you have presented a very, very clear picture of the economic problems which you face in your State and its local communities, as well as in the triState area.

I read your statement earlier this morning before coming to this hearing and I was very, very much impressed by it.

I note that you say you were advised of the closing of the Quonset Point and the Naval Air Station on April 16, 1973. Was that the first time that you were apprised of the Department of Defense intention to close these facilities?

Governor NOEL. Yes; I am glad that you asked that question, Mr. Chairman.

I don't wish to prolong these proceedings but I would like to respond in order to point out the seriousness of this lack of a working relationship between the administration in Washington and the administration of State government in the several States.

Before becoming Governor in January I was mayor of the city of Warwick, which, by the way, is the city in which the greatest single number of Federal employees reside who will lose their jobs.

In other words, there are more Federal employees losing their jobs who live in Warwick than Federal employees who live in any other city or town. The State airport is located in Warwick and we have problems with noise pollution and lack of expansion capability because of the residential and industrial development around the site of the airport.

It has been suggested for 2 or 3 years that the city administration, of which I was the mayor, explore the possibility of moving that airfield from Warwick to Quonset Point where they have a very adequate air station.

In order to deal with those suggestions we contacted people of high authority in the Naval establishment, and this was less than 2½ years ago. They gave us assurances. First of all, they said that they could not mix private and commercial passenger traffic with military air traffic because of military security considerations.

Secondly, they told us that Quonset Point was one of the most important naval installations on the eastern seaboard of this country and that it would forever play a vital role in the national defense of this country and that in their opinion this base would be there forever. That was 2½ years ago.

Election as Governor and with the knowledge that there were going to be military cutbacks we began to open communication with the Department of Defense but they never shared any of this information with us. They never gave us an indication, not even the slightest indication, that we would be hit with curtailment and closures of this magnitude and we never really got any direct answers.

As a matter of fact, the news was on the street and in the media before the Governor of the State of Rhode Island received official announcement of the closures and the cutbacks.

Now, I just came in from the National Governors Conference and I will tell you how the Governors of this Nation feel. I had unanimous support bipartisan support, by all of the Governors of this Nation for a resolution that, among other things, called for some new working relationship between the administration and the Governors of these 50 States so that when cutbacks and closures of magnitude were going to be effected that there would be some preplanning done between the Federal administration and State governments so that we could begin to prepare to handle the problems of people that would be severe and adverse as a result of closures of this magnitude.

Every Governor in the country supported that resolution.

Mr. DANIELS. I think you are absolutely correct.

Governor NOEL. That is a long answer to your question, Mr. Chairman.

Mr. DANIELS. No; I think you are absolutely correct in feeling that way and the other Governors sharing your opinion. I am quite sure, with the winding down of the war in Vietnam and Southeast Asia, that this Defense Department did not come to a rapid decision to close down Quonset and the other military installations in various other parts of the country.

This must have been in the planning stage for some period of

time and the Federal Government should have taken public officials whose areas were affected by their proposed action into their confidence so that they might adequately and properly prepare for what would naturally be expected, such as layoffs, the effect upon the education system, the effect upon the economic status of the employees, not only with respect to their jobs but with respect to the homes that they bought, mortgages that they are obligated to pay, and also those who desire to move so that they might make plans if an opportunity presented itself to quit the job before the actual ax fell on them.

Governor NOEL. Again not to take up too much time, but I had to submit the State budget, which is in excess of \$350 million, by the middle of February under the State constitution. Had I been given at least some preliminary indication of the magnitude of civilian job loss I would have had ample time within which to alter the priorities of some of that spending so that our State would be better prepared with our own funds to help some of these people.

That is how critical a good working relationship between the Federal Government and the State government is as these base closures take place throughout the country.

Now it is too late to develop critical working relationships to help our State but it is not too late for that kind of policy to be incorporated into this system to help other States that may be facing problems of similar magnitude in this area in the future years.

Mr. DANIELS. The first notice you had of the intended closing came to you in April. I imagine you must have been extremely shocked and surprised by that action.

Now, since that time have you been in communication with the Department of Defense as to what aid and assistance they plan to give Rhode Island and these unemployed workers?

Governor NOEL. Yes. Of course, there has been some change in leadership there and that hasn't helped us.

Mr. DANIELS. There have been quite a few changes taking place and quite a few more will be taking place.

Governor NOEL. It is now difficult to tell the players if you have the scorecard. But out of fairness, we have had some positive cooperation from the Department of Defense, the Office of Economic Adjustment. We are working with a gentleman named Mr. Ruane from that office who has been very cooperative and very helpful in this way.

They brought their people from Washington to Rhode Island. They have been on the military bases. They are coordinating their efforts with our own task force that we have established in my office. They are very enthusiastic and their words are words of encouragement.

Whether or not we will get meaningful help through that agency is anybody's guess. In other words, if you take at face value their statements, Mr. Chairman, then perhaps we are going to get some serious help.

They have been cooperative. I cannot say that they have not.

Mr. DANIELS. Has anything specific been done?

Governor NOEL. No, sir.

Mr. DANIELS. How many employees were affected by the closedown at Quonset and the removal of the destroyers from your area?

Governor NOEL. In rough figures, 5,000 civilian military employees will lose their jobs, but in addition to that over 17,000 military people will be moved out of the area.

As a result of the move of 17,000 consumers and purchasers of goods being transferred permanently out of that State, there will be a resultant further loss of civilian jobs that we estimate could go as high as 20,000 or more.

It is hard to get a handle on that secondary civilian job loss factor. We know the exact number of civilian military employees; 5,085 civilian jobs will be lost; 17,379 military people will be curtailed.

By the way, Mr. Chairman, we have sustained a greater loss of military personnel in Rhode Island than the whole United States will sustain because most of these people are being transferred elsewhere. It is not that the numbers of military people are being reduced. But the total is 22,464.

Mr. DANIELS. Let me touch a matter that you haven't commented about but in which I am very much interested.

How do you feel about special revenue sharing with regard to manpower.

Governor NOEL. I don't think there is any secret, Mr. Chairman, none of the Governors are pleased with what we see developing in the special revenue sharing area of manpower.

Mr. DANIELS. You are aware of the fact that the Economic Opportunity Act as well as manpower development and training expire on June 30 of this year?

Governor NOEL. Yes; I have a telegram on the President's desk urging him to sign the joint conferees' version of the EDA.

Mr. DANIELS. That is a different bill. That comes up on the floor of the House next week, I believe. I am talking about the Public Service Employment Act.

Governor NOEL. Yes.

Mr. DANIELS. Technically known as the emergency employment and popularly known by a good many people as the PEP program. That expires on June 30. That law was enacted 2 years ago which gave the Federal authorities and State and local governments the opportunity to put people to work in public service employment, people who are out of work, on welfare, and also to enable States and local communities to provide needed public services which they were unable to provide because of their budgetary problems.

Governor NOEL. I worked with that and through that program as mayor of the city of Warwick, which is a city of about 90,000 people.

But in direct answer to your question, Mr. Chairman, my position on the President's program right now is this: First of all, I don't think it is going to fly. It is pretty obvious that it is in serious trouble in the Congress.

Secondly, there was not an adequate programmatic way to make the transition assuming that the New Federalism concept was going to fly. So that right now I prefer a continuation of every Federal

program that we have. I think they should be reenacted into law, those that are expiring, and that they should be fully funded because there is a tremendous gap.

Mr. DANIELS. The administration is absolutely opposed to the extension of the EDA program.

Governor NOEL. And I am absolutely opposed to the administration's position.

Mr. DANIELS, Mr. Kolberg, Assistant Secretary of Labor in charge of manpower, with whom I had some informal discussions last week and sometime prior thereto, stated that he proposed to go ahead with special revenue sharing with regard to manpower after July 1.

I don't know by what authority or law he proposes to do it but this is the attitude. It is an attitude of arrogance. This administration has been too arrogant in some of these areas and has been cold to the problems of the people. The people's wishes have to be taken into consideration.

Governor NOEL. I can say amen to that. President Nixon's people were out at the Governor's conference in Nevada. I made this observation. The concept of New Federalism makes some sense.

In other words, the bait that they hold out to Governors and to mayors and county chairmen is that "We are going to transfer responsibility to your level where you are better able to prioritize and you are better able to design programs to meet the need that exists as it exists at that local level."

That is the bait that they are throwing out to the Governors, the mayors, and local government leaders. It makes some sense, but the strategy, if they have one, of trying to get from where we are now to New Federalism doesn't make any sense because these tremendous gaps and voids exist.

If you are geared up as a State to provide a service to people and all of a sudden the funds are impounded or curtailed so that that service delivery system is allowed to disintegrate and then if 10 months later, 15 months later, 20 months later some new alternative comes on line, it is too late because you have allowed your service delivery system to be desecrated and you are no longer capable of delivering the service even if the money comes down the line, so then there is a great lag-time problem, a great waste of money, to reestablish the service delivery system.

So there is no sensible programmatic strategy to get from the categorical grant programs we have now to the new federalism. That is one big failing. The second failing is in the design of the programs themselves.

I make this observation. If they are trying to transfer responsibility from the Federal level to the State and local levels, then they should take direction from the governors and the mayors of this Nation as to what those programs should contain.

Now, they haven't done that. In the manpower revenue sharing, for example, in a State like Rhode Island, which is a city State, fewer than a million people, if we are going to have a sensible manpower training program under manpower revenue sharing there has to be one central authority to do the planning and the programming, and if they are going to be delivering funds to cities of 100,000

or more in a State of that size where the demographics of the population are that they are all people around one-third of the real estate in that tiny State, it doesn't make any sense.

So the programs are not being devised or designed by people that have knowledge of what it is all about back at the State level.

Mr. DANIELS. Their attitude on that point is that the local mayor is more familiar with the problems in his community, he is responsible to the people of the community, and therefore he should have the say as to what is best for his community.

Now, I have disagreed with that philosophy over the past 2 years and that is the reason why a new manpower bill has not been enacted. We merely extended the law last year for 1 year, to June 30 of this year, and it is about to expire right now. As far as I am concerned, as chairman of the Select Subcommittee on Labor, special revenue sharing is not going to go into effect.

Governor NOEL. I will give you another arrow for your quiver.

Mr. DANIELS. Let me go a step further. I have taken this position: I feel that the Federal Government ought to establish certain standards and guidelines for the Governors, and if we are going to permit prime sponsors to be communities of 100,000 population, they likewise should need some guidance and advice as to how the program should be set up.

I am in favor of the decategorization and also the decentralization of these programs, but the Governors and the local officials need some help and technical assistance as to how these programs should work.

In addition thereto, there should be some accountability, not just merely giving a report at the end of the year which is advertised in the newspaper and says this is how we spent that money. That money could be spent very, very foolishly, and I know in any State it is largely nepotism in some of these programs which should be eliminated.

If your Congressman, Mr. St Germain, Congressman Daniels here, and my good friend, Mr. Hogan, support programs like this and then the program results in a great deal of waste and a lot of foolishness is taking place, the next time we come before the people to be reelected we are going to go down the drain, too, just like the program.

So, I wonder if you concur in my idea of establishing guidelines and standards by which, regardless of what name you call it, special revenue sharing or anything else, an accountability is made part of the program.

Do you agree with that?

Governor NOEL. I absolutely do because I think, having been a participant in the National League of Cities and U.S. Conference of Mayors for 6 years, I can tell you that the expertise does not exist at the city and town level in every city and town throughout this Nation so there has to be accountability.

Otherwise it is an act of irresponsibility to send out that money. Here is another arrow for your quiver. Under the proposed manpower revenue sharing a city of 100,000 or more or a combination of communities that would result in a 100,000 population factor or more

would be eligible for direct bloc grants from the Federal Government, bypassing the State Government.

Just think about the tiny State of Rhode Island. We have eight cities. Seven cities are contiguous. In other words, there is no county government in Rhode Island. Every square inch of the real estate of that State is incorporated in one of the 39 cities and towns. Seven of the cities are contiguous so that for example, Providence, Warwick, and Cranston could combine and get a direct bloc grant.

Providence would get a direct bloc grant. The northern communities of Woonsocket and Central Falls could combine and get a direct bloc grant. Everybody would be in the manpower training business, with no coordination, and there is only one labor market in the entire State of Rhode Island. You can live anywhere in that State and work anywhere else in that State because we have the transportation capacity and because the size of the State is such and the population demographics are such that it is all one labor market.

Now, how can it make any sense to have two, three, or several manpower training programs going on in that State at the same time without any central coordination. That would be a colossal waste of the taxpayers' money.

That is one of the deficiencies in the proposal. That is why I say they are not taking direction as they draft these proposals from the people that live and work back at the local level who have knowledge of the peculiar characteristics of their State and the people in their States.

That is why I can't support the programs as they are evolving, although the concept makes sense.

Mr. DANIELS. What specifically do you feel that you need should it come to your State immediately in order to alleviate the problem you testify about this morning?

Governor NOEL. Our prime concern ever since this announcement is and has been the 5,000 civilian military job holders who are scheduled to lose those jobs, and what we need right up front is some serious manpower training and retraining money so we can start to develop immediately the capacity to train those people for other job opportunities either that already exist or that will exist as we attract new industrial activity to that State.

One of our serious problems is that we are losing the spending dollars of 17,000 military people, so our recovery problems are very unique.

We have to have the capacity to train and retrain the 5,000 civilian military job holders as well as other broad segments of our community in order to bring industry and business to the State in order to gain an economic recovery. So that we need that money up front.

Mr. HOGAN. Would you yield?

Mr. DANIELS. I yield to the gentleman from Maryland, Mr. Hogan.

Mr. HOGAN. Governor, we appreciate your coming here today to give us the views of the problems which we all sympathize with in Rhode Island.

A few things in skimming over your prepared testimony and listening to your oral testimony occur to me. Do you know of any

plans on the part of the Federal Government to declare any of this geography surplus that they are now vacating?

Governor NOEL. No; only that former Secretary Richardson indicated and Navy Secretary Warner indicated that some of the real estate and facilities would become available but nothing specific has been decided. They haven't made any decision.

Mr. HOGAN. It would seem to me that a possible assistance to you in this effort would be to either acquire some of this surplus property or lease some of the vacant buildings from the Federal Government for purposes of attracting industry, even if the Federal Government won't dispose of them.

Has this been worked into your program?

Governor NOEL. Oh, yes; we have already made a very detailed analysis of every square inch of property that the Navy owns. We have an analysis and an appraisal of every building, of the rail sidings, the deep water port facilities, the sewage treatment capabilities, the amount of water that is available, electric power energy.

We are ready to go in a reconversion program of all of those properties should they be made available. We have already received and have cataloged several hundred inquiries from private sector industry and business so that if they would make those facilities available to us, not the regular GSA route which takes, 10, 15, 20 years and you have to use it for a wildlife sanctuary first or whatever, but if we get some real help, in other words, they say, "Look this is surplus property. We are going to turn it over to you for economic development" then we will be able to help the people of our State and these employees.

But so far that decision has not been made.

Mr. HOGAN. That would be one area where pressure could be applied to get them to make a decision. Even if they didn't declare it surplus, and I can understand that, looking toward the future, it might be necessary to reactivate those bases so they wouldn't want to dispose of them completely now. However in the interim they certainly ought to be agreeable to lease them to the State on such an arrangement where you could attract industry.

Governor NOEL. Those kinds of decisions from Washington would be extremely helpful, extremely helpful. I can't over-emphasize the necessity. If they don't make any of this real estate available to us there is no hope for an economic recovery in that State and we will have unemployment that will reach 11 percent, will approach the levels of 1928 and 1929.

So that property has to be made available. If that isn't done, just send us a lot of welfare money.

Mr. HOGAN. Running through the whole theme of your prepared and oral testimony is a quite understandable irritation with the agencies that you have been dealing with face to face in trying to cope with the problems, but I think we ought to look beyond that.

I think, in a sense, these agencies are being unjustly blamed. The reason we have these cutbacks is because the Congress has cut back military expenditures in response to pressures from the American people demanding that the military be reduced, and, of course, the wind down of the Vietnam war.

While our military budget in dollars may not be any less, the efforts to try to create a volunteer Army has stimulated a great many enactments by Congress of improved fringe benefits, higher pay, retirement, and other amenities for servicemen to compete with jobs outside the military. The military has been forced into this posture of base closings because of what we in Congress have done.

So I don't think in a situation like this, while it is always tempting to find a scapegoat to blame for it, to blame DOD. We all share part of the responsibility and we all ought to cooperate in trying to alleviate the burden on States such as Rhode Island that suffer so much.

Governor NOEL. I am not here to blame anybody and let me say I agree with those people who said that the direction of this country should be to develop our peacetime capabilities. We can't continue to want to make bombs and weapons of war to support this economy.

I am a peace-loving man as you are and we expected that we as a State would be asked to sustain some of the burden of military curtailment because I would like to see military curtailment as long as it is in keeping with the first priority of a strong military capacity for the defense of this Nation, but of the total military cutbacks throughout this Nation the State of Rhode Island has been asked to sustain over 50 percent and that is a State with fewer than a million people.

We are going to lose more military personnel than the total reduction nationally. They are not going to reduce the military force by a number of personnel equal to the 17,000 some hundred that are being taken out of our State, and those people being taken out of our State do not represent an economic move on the part of the military because they are being transferred elsewhere.

They are taking Navy people from a State that has a 6 percent unemployment rate. They are moving them down to States where they are at 2 percent, and I talked to the Governors of those States and they said,

We have spent millions of dollars developing housing at the request of the Navy to house Navy personnel. That military housing which represents millions of dollars of investment is going to be vacant while the same military people are moved to places in this country where there is no adequate housing for the numbers of military people that are now there, let alone the ones that are being transferred into the area.

So that I believe in defense reduction consonant with a capability to defend this great Nation but I don't agree with the way it has been handled, and why tell us that we have to accomplish this by July of 1974. That is less than 265 days from today. We are talking about 5,000 people that are being tossed out of jobs, another 17,000 in the private sector and related business and industry, in a year.

And try to help these people gain new employment and readjust? It is tough. If they gave us 5 years to do it I would applaud the program.

Mr. HOGAN. That brings up a point.

Mr. ST GERMAIN. Mr. Hogan, may I comment?

Mr. HOGAN. Yes, Mr. St Germain.

MR. ST GERMAIN. Along with what the Governor said, we stated all along we would be happy to accept our fair share of reductions, but that which is occurring in Rhode Island is not a reduction. It is a transfer. They are merely transferring the personnel and the ships and the work from the air rework facility to other facilities. When we look at that military construction authorization bill we find that down in Norfolk they are asking for a pier \$9.6 million. They are abandoning two perfect piers in Rhode Island.

In the area of housing there is a \$3 million barracks 50 percent complete at Newport. Construction began during the period of time that they were studying the results of the study by the Naval Center which is comparable to the Rand Corp. where they were recommending where the cuts should take place.

The Secretary of the Navy over the past 2 years has signed certifications for section 236 housing for military, special military set asides in the amounts of millions of dollars were made for the Newport and Quonset areas, sir.

When you are talking about economies, this is not in reality an economy for perhaps 15 years to come because the monies are going to be taxpayers' money. Now, in the Navy and DOD, look at what they are doing. All they are considering is the line items for the Navy itself, but they don't look into what it is going to cost to build schools and build the housing, and to pay welfare, and the added retirement benefits in these areas.

They don't look at the fact they have \$10 million in SBA loans in the areas affected in Rhode Island, and close to 300 businesses that they state will very likely fail.

One last point: The economic impact on the area wasn't even looked at. Mr. Ruane, who the Governor referred to did not come into Rhode Island until 4 weeks after the April 17 announcement. After spending a week there with the mayors and the Governor he stated it is going to have a fantastic economic impact. They didn't even look at that, sir.

That is why we are concerned and that is why we are irritated, and I think justifiably so.

I thank the gentleman and the Governor.

MR. HOGAN. I might say to my good friend and colleague from Rhode Island that in Maryland, while we have not sustained the tremendous impact that Rhode Island has, we, too, have suffered from the military cutback, and the purposes of the hearing are to get views on H.R. 7731, which is an attempt to alleviate in some measure the problems which are a fallout from this military cutback.

Governor, have you had a chance to look at that bill, H.R. 7731? If so, I would like to know if you have any specific suggestions as to how we might improve it and whether or not you think it would be helpful.

Governor NOEL. I am not an expert on this bill but I have reviewed it. I read it on the airplane on the way down and I would like to be better prepared.

MR. HOGAN. May I interrupt you at that point. Could we get a letter from you, for example, after an analysis of the bill, telling

us how we might improve it or what your views on it are after you and your people have had a chance to study it?

Governor NOEL. I will send that directly to you, Mr. Congressman.
[The following letter was furnished:]

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS,
Providence, R.I., June 29, 1973.

HON. JEROME R. WALDIE,
Chairman, U.S. House of Representatives, Subcommittee on Retirement and
Employee Benefits of the Committee on Post Office and Civil Service,
Cannon House Office Building, Washington, D.C.

DEAR MR. WALDIE: On June 8 when I appeared before your Subcommittee, Congressman Daniels requested a detailed analysis of H7731. The bill is designed to aid federal employees in their transition from employment in a federal agency to other suitable employment, when that employee is fully or partially separated from such federal employment because of the cessation of activities at, or a transfer of activities from, a facility of that agency.

To achieve these ends, the bill H7731 establishes: 1.) Readjustment allowances; 2.) provisions for job training and counseling; 3.) payments related to training and relocation; 4.) redefinition of early retirement, and 5.) provisions for the extension of federal health benefits. Clearly, these additional benefits would be of great use to many of the naval civilian workers currently employed at Quonset and Newport Naval Bases in Rhode Island when activities at those bases are partially or totally curtailed in FY 1974, as the Navy has announced.

I support the purposes of the bill and the programs established in the bill. However, I believe some changes in the bill would make these programs even more helpful to the affected workers.

First, even though most workers would be covered by the benefits of this bill, I am concerned with those workers left out of the benefits provided in this bill.

1. Specifically, Section 8001, Subsection 1, defines employees in such a way that personnel paid from non-appropriated funds are excluded from all benefits of this bill. While these workers are not federal civil service employees, they do work on the bases, often along with federal civil service employees, and they will lose their jobs on the bases when these facilities shut down partially or totally. Since both categories of workers will be fired as a result of the same base closure decision, and both work on the base, it is only fair that they should receive similar benefits from this bill.

This revision is important to ensure that the bill really meets the needs of workers affected by the base closures. At the Newport Naval base, workers paid from non-appropriated funds who will lose their jobs outnumber the federal civil service workers who will lose their jobs. Consequently, omission of any benefits to workers paid from non-appropriated funds will significantly diminish the effectiveness of the bill in achieving its purposes.

To include such workers in all benefits of this bill, all that is necessary is the insertion of the phrase "or by a non-appropriated fund instrumentality of such agency" after the word "agency" in line 7 on page 2 of the bill. This language parallels the language employed in P.L. 92-392, which ensures that wage schedules for workers paid from non-appropriated funds are comparable to those for workers paid from appropriated funds.

However, since there are some legitimate differences between these two categories of workers, not all benefits of this bill should apply to workers paid from non-appropriated funds. Specifically, these workers do not participate in federal retirement or health insurance programs. Consequently, benefits provided under Sections 8010 and 8011 should not apply to these workers. To take this into account, the language of the bill should be changed further, as follows: On page 2, line 11, after the word "employment", there should be inserted the phrase "except that for purposes of Sections 8010 and 8011 the phrase 'or by a non-appropriated fund instrumentality of such agency' shall not apply."

But the argument that workers paid from non-appropriated funds should not be recipients of retirement and health insurance programs to which they did not contribute does not imply that they should receive no special benefits or consideration from retirement and health insurance programs to which

they did in fact contribute. Therefore the early retirement provisions of Section 8010 should apply to workers paid from non-appropriated funds with regard to that retirement program to which they do contribute—programs under the Social Security Act—and language to that effect should be added to Section 8010. Likewise, a comparable extension of health benefits provided in Section 8011 for civil service workers should apply to workers paid from non-appropriated funds with regard to the health programs to which they contribute, or a federally-subsidized substitute, and language to that effect should be added to the bill. Therefore, to ensure that workers paid from non-appropriated funds are treated as equally as possible as civil service workers, I urge these changes in the bill.

2. Specifically, Section 8003, Subsection 2, subparagraph a requires that an employee has had "in the 156 weeks immediately preceding such total or partial separation, at least 78 weeks of employment at wages of \$15 or more a week." That is, a worker must have begun work at a federal facility that is being closed down at least 18 months before termination of his employment at that facility. I believe that a worker employed for 77 weeks, as opposed to 78 weeks, will fail to appreciate any difference in obligation to him by the federal government on the basis of that week's work, since the same decision causes his problems as decisively as the problems of a workers employed for 78 weeks. I believe all workers employed before the announcement of the base closures have equal rights to benefits as the result of the closures of the bases. Therefore I urge the deletion of Subsection 2, subparagraph a. The same arguments apply to Subsection 2, subparagraph B and C of Section 8003. Instead, I would suggest that Subsection 2 should read as follows:

"(2) the employee has been employed prior to the announcement of the transfer of activities from a facility of an executive agency or the announcement of the cessation of activities at a facility of that agency."

3. Specifically, Section 8001, Subsection 10, subparagraph A requires that an employee work less than a full-time week, in addition to earning less than 75% of his average weekly wage, to be eligible for a readjustment allowance. In this case, two workers at two different jobs, both earning less than 75% of average weekly wage, would receive different benefits depending on the number of hours worked. I think that the worker employed 40 hours a week will fail to see why he deserves no benefits while a worker earning the same as he should receive money benefits only because he is working fewer hours. The same argument applies to Section 10B. I urge the deletion of Subsection 10, subparagraphs A and B of Section 8001.

Second, I am concerned with the amount of benefits received by those workers who are eligible. That readjustment allowance payments should be reduced by the full amount of unemployment compensation and by a partial amount of remuneration for services is understandable, since these payments are related to current work or lack of it. I fail to understand the justice of deducting in full from readjustment payments "any amount of retirement annuity which he (the employee) has received." (Section 8004, Subsection D.)

This provision asks an older worker to finance his adjustment to another job partially out of his own funds, while the younger worker need not. Given the techniques of financing federal retirement benefits, these annuities represent savings: The federal government takes 7% of gross salary, sets up an account for those payments, and pays annuities from that account. The federal government pays money into the account only after the employee's contributions are exhausted. If the worker had placed 7% of his income into a savings account, and then used those funds to help pay for his adjustment, his adjustment allowance would not be reduced by the amount of his expenditures from savings. However, since his savings are in the form of retirement benefits rather than in a bank account, his readjustment allowance will be reduced. Since no money from any other form of savings is deducted from the readjustment allowance, it is unfair to single out this one form and penalize the older worker for keeping his money in this form. Furthermore, the worker who was not eligible for some form of retirement, upon leaving federal employment, can withdraw the full amount of payments he made into his retirement account. Since those funds are neither remuneration nor an annuity, their expenditure is not deducted from a readjustment allowance. Only when those funds come in the form of an annuity are they deducted. A worker receiving "discontinued service" retirement benefits, a reduced annuity he ac-

cepted only because the facility was closed down fully or partially, is unlikely to see the justice of this arrangement. I urge the deletion of Section 8004, Subsection D.

Third, I am concerned with the duration of benefits received by workers. Section 8005, Subsections A and B limit payments of a readjustment allowance to a period within 52 weeks of the separation of the employee from federal employment. If the economic crisis striking Rhode Island were to be substantially over within one year of the separation of employees, then this limitation would be well-justified. However, if the experience of past base closures is a reasonable guide, then 12 months after the base closes is when maximum impact hits, not when recovery is completed. In Rhode Island, economic recovery will depend in no small part on reuse of military base property to provide new jobs in the State. The shortest transfer of such property on record is nine to twelve months, and the typical case is a longer period of time, which would be after readjustment allowances expire. Even if the transfer of federal property were not a problem, there would still be problems. It could be argued that the requirements for counseling, training, and placement assistance which are included in this bill would assure that some other suitable employment would be found within a year of base closures. This argument might apply for counseling and placement assistance for those who would actually get jobs as a result. But we should not be over optimistic about the immediate success of such counseling assistance. The State has not had full employment since 1969, while the base closures of the mid-1960's took place during a time of full employment. Furthermore, most adjustment in the mid-1960's took place through transfer of personnel to other DOD and other federal agencies, which is not a significant option now. Furthermore, Rhode Islanders are more unwilling than most workers to move out of the region to get jobs, if the experience of the transfer of textile firms of the South holds true.

For those who need training there is an even more difficult problem with the one-year limitation. It cannot be assumed that a worker will begin a training program immediately upon separation, particularly if he goes job hunting as a first recourse instead. Now, some training programs last 26 weeks or more. If the worker began such a program more than 26 weeks after his separation, then before the training program was completed, his readjustment allowance paid in lieu of a training allowance would cease, causing a possible cut in the level of allowance payments and a transfer of responsibility for training allowance payments to the training program's agency sponsor. Such funds would not necessarily be available and could cause curtailment of the program or cause fewer programs to be started because of this funding situation. Consequently, workers would have an incentive to begin training programs rather than to seek employment; and training program sponsors would have incentive to produce the shortest possible programs regardless of the need of the worker instead of the most efficient program tailored to the needs of the worker. For all these reasons, I urge that the time limitation on payments set forth in Section 8005 be extended to two years at least.

Again, I wish to express my support for the bill as it would aid the federal workers of the State of Rhode Island. My suggested revisions of the bill are intended as friendly amendments to ensure that the federal workers receive benefits that will meet their needs. This seems only fair, since meeting their needs is the object of the bill.

Sincerely,

PHILIP W. NOEL, *Governor.*

Governor NOEL. I would like to point out one thing, however. I want to fix in your mind if I can, and you have been very, very cooperative, the relative impact of these closures in Rhode Island.

We know that Maryland has suffered or sustained a 1,000 job loss as a result of military curtailment. Those are the statistics. In Rhode Island the direct salary loss of the 17,000 military personnel and the 5,000 Naval civilian workers is \$205 million.

The total aggregate of wages and salaries paid to all Rhode Island workers in every sector of private and public service is around

\$3.5 billion. We are going to sustain a direct salary loss of \$220 million and that could extend as a result of the further loss in the private sector of in excess of \$400 million.

Sir, that is over 10 percent of the total wage and salary paid to all the people that live within the state. There is no state in the Nation in the history of this country that has ever been asked to sustain and to recover from that kind of an economic shock.

I say that without fear of contradiction. Never in the history of this Nation has there been a military action taken that resulted in the relative impact of the magnitude that we are asked to sustain in the State of Rhode Island.

Sure, that is devastating. We are talking about unemployment that could reach 15 percent. We are talking about a loss to the total economy of in excess of \$1 billion. We have fewer than 900,000 people and the total aggregate in salary and wage is less than \$4 billion, so that I don't want to sound like a crybaby.

We have had tough times before. But you tell us where this type of cutback has occurred before.

Mr. HOGAN. I understand your feelings, Governor. Of course you have not been in office very long so you cannot be criticized for what I am going to say.

Many of us, and I plead guilty on behalf of Marylanders as well, have become so dependent upon the Federal Government, and particularly the military presence, that we don't make an effort to diversify our economies. That is why I was particularly pleased to see in your formal testimony in which you point out the Chinese symbol for opportunity is danger . . . and what else is it?

Governor NOEL. Opportunity.

Mr. HOGAN. Opportunity and danger, and in this crisis you have opportunity. I think that is true, because this might be a stimulus to diversify so that the state will not be so dependent upon the military in the future.

Until redistricting, I represented an area where the only employer in a certain town was the Navy and before this current cutback we sustained other drastic cutbacks which had a disastrous effect on the area. We have all shared in the problems created by these cutbacks but perhaps not the with same kind of intensity falling all at once as it did on Rhode Island.

The Navy was my number one employer until redistricting so I am very familiar with and sympathetic with the kind of thing facing you.

During the hearings the past few days there was some talk about more advanced warning. There was talk of a 5 year phase out plan. I don't know if from a military point of view whether it is practical to say that 5 years from now we are going to close a military base, but apparently there seems to be a general consensus that there ought to have been more warning.

But I added a caveat to that the other day. I know that Mr. St Germain, being the dedicated Congressman he is, trying his best to represent his constituents, if he had any advance notice that those bases were going to be closed he would have gone to the mat with the Navy Department to try to prevent it from happening,

as I would in my area, so again we get back to the same point I tried to make earlier.

There isn't any one panacea. There isn't any one easy solution to it, but I think what we in this Committee have to try to do, within our own jurisdiction, something to alleviate the burden that is on States such as Rhode Island.

Governor NOEL. I appreciate that. I will just close by commenting on the bill that is before the Committee. I think the bill is fine as far as it goes. Some recommendations would be more helpful to us in our experience, for example, if the bill went a little further and extended the eligibility period and payment period.

I say that because, (1) the crisis is not necessarily going to be over for us in one year; (2) the State's eligibility for extended unemployment benefits limits the capability of this law to affect the problems.

In Rhode Island, for example, this could only mean 13 weeks, not 52 weeks, because we have recently because of economic problems that we had before the base closures, extended the periods for people to enjoy unemployment benefits.

In addition to redefining annuity eligibility, I think portability of pensions is very critical and if your bill could address that requirement I think it would be very helpful.

Mr. DANIELS. We wouldn't have jurisdiction over that, but I might say to you and our good friend, and good friend Congressman St Germain, that Congressman Dent of Pennsylvania, who is Chairman of the General Subcommittee on Labor, has been studying this subject of pensions for the last 4 or 5 years. I understand they are on the verge now of reporting out the bill. It is a very, very complex problem. I believe there are about 138,000 different pension plans in the private sector of our economy and they vary from industry to industry. It is a very involved subject matter and they are taking up this question of portability, vesting, insurance, and several other important factors that are involved.

I know also that Senator Williams of N. J., as well as Senator Javits of N. Y., have a bill that they worked out in the other body. So we have all of these fine legislators working on this legislation.

I mention that to you now so you know that this is not a simple thing to transfer a person from Federal employment into the private sector. There are a lot of complications, a lot of problems involved, and what you may do in one case may not work out in the next case.

Various firms, for example, have different types of pension plans. Some of these plans are very sound, actuarially, but many others are financially unsound.

So there are many, many problems involved. I don't know how soon they will get around to that, but you have a good point. Something must be done along that line to protect the American working man.

Governor NOEL. I am through with my testimony, Mr. Chairman. I would like to thank you.

If I could I would like to ask to testify briefly if you will allow him, Mr. Dominick Montano, who is the president of the Quonset Point Association.

If the committee is interested Mr. Montano can tell you of the plight of some of these employees as it is developing, the job opportunities that are developing for some of them, and some of the problems that may be of direct relevance to the committee.

Mr. HOGAN. I have no objection.

I would like to make a comment that we have been stressing the bad things. There are some advantages to the employees that we haven't talked about here. I have a list in front of me here.

Employees 60 years old with 10 years' service get severance pay of \$7,500 immediately, plus 30 weeks at \$250 a week. With 14 years' service he gets \$15,000 severance pay plus the unemployment compensation.

Then later he is entitled to an annuity of \$150 to \$160 a month. So there are some things on the other side of the ledger in the existing law.

Governor NOEL. I am familiar with those, Mr. Congressman.

Mr. MONTANO. Mr. Chairman, Dominick Montano.

Along with being here as president of the Quonset Point Association I am also the production department head in the Naval Air Rework Facility where the largest employer on the station has about 2600.

As was pointed out, on April 16 we heard over the radio that we are being shut down and that was the first. It was like hearing of a death in the family over the radio rather than somebody coming and telling you.

We also were told that the base would be closed on June 30, 1974. However, that is misleading. We are in the process right now. We issued a notice on May 31 that the base would be closed, the Naval Air Rework Facility, in particular, would be closed, on May 1, 1974. That was issued in order that people could file for this continued service with that 50 and 20, and 25 years of service at any age.

Going over some of the statistics we have, it appears that it will be in the vicinity of about 900 to 1,000 people that will be eligible for optional and discontinued service retirement.

It was also planned that the issuing of the RIF notice would be issued on 1 July or close to it, which means then the employees will be issued a notice for 60 days. So starting with the end of August we will be letting out most of the people that are employed there at the Naval Air Rework Facility.

In the meantime we are trying to establish positions at other naval-air facilities around the country. We have received job opportunities for approximately 600 people. Positions accepted as of noon yesterday were 66 of them. Positions offered and declined were about 70. Some of these declinations have been where they came in to accept the individual, and with only 5 days in which to answer, they have a family, they have to get rid of their house, they have to try to sell their house, and there is just not time enough for them to do this.

Along with that there have been approximately 355 job offers that have been made and the names have been sent out and no confirmation has been received.

Also there have been about 108 job offers out of the total of 600, and no one is available to fill them. In other words, we do not have the skills required to fill those particular jobs. In other words, the numbers of people we have in those skills are not enough to fill all of the job offers that have been made.

Since the announcement or the memorandum that was issued that the base would be closed as of 1 May, people have been coming in now filing for their optional retirement and discontinued service. As of noon yesterday there were 600 retirements signed. There was also 127 disability requests made out. These people are frustrated. It is pretty hard to pull up stakes after being at Quonset 30 years, and go to another part of the country where the uncertainty of finding housing facilities exists when the Navy is moving in there and they are having trouble.

Up until April 16, we had been planning to take our share of the cut, for June 30, 1974, we were going to get down to a ceiling point of 2,085 people, which meant a loss of about 5 to 600 people. There were no qualms about that. We felt we should take our particular cut, but when we were told we were going to take the entire cut, that has had a morale effect on the people of Rhode Island. In the aircraft industry there aren't any jobs in Rhode Island so it is going to require an awful lot of training to get them into different types of positions.

Mr. HOGAN. I have no questions.

Mr. DANIELS. I want to thank you, Governor, for coming here today and letting us have the benefit of your testimony and the testimony of the members of your panel.

Governor NOEL. Thank you, Mr. Chairman. I hope it didn't sound too harsh. You know when the going gets tough the tough get tougher sometimes. I may have come on a little too strong. Mr. Chairman, the point is that we have the capacity to help ourselves, and in something of this magnitude we need some extra help in order to get it done. We will cooperate with you and the members of your committee and the Members of Congress and with the administration.

Mr. DANIELS. Governor, I am sympathetic to the plight that faces your State and I hope we can do something about it immediately. I would take such steps, but as you know we would have to legislate on this.

Governor NOEL. Thank you, very much.

Mr. DANIELS. Our next witness is Mr. Darwin W. Daicoff, professor at the University of Kansas. Professor, I extend a most cordial welcome to you. I have your statement before me. I notice it is rather lengthy. May I suggest, as the previous witness did, that you submit your statement for the record. You may summarize it and emphasize any particular point that you desire.

Mr. DAICOFF. Thank you. I will do just that.

Mr. DANIELS. If there are no objections, Professor Daicoff's statement will be placed in the record after his oral testimony and the questioning of the Members.

**STATEMENT OF DARWIN W. DAICOFF, PROFESSOR, UNIVERSITY OF
KANSAS**

Mr. DAICOFF. Thank you. In recent years a number of investigators have considered the economic consequences of the discontinuance, reduction, or consolidation of military activities. These have been prompted by local concern about the loss of military installations, the loss of payrolls and local purchases that we have already heard of today. The military personnel that are on a military installation, however, may have very little economic impact for the region. They may be housed on the base, they may spend much of their money in base commissaries, post exchanges, or base recreational facilities; a military single individual has very little economic impact. On the other hand, the civilian employee at a military installation is quite another matter, for he will probably live in the community, do most of his purchasing in the community, and have a significant economic impact. The middle ground between single military personnel and civilian employees are married military personnel, for here we have an impact on the local community not only through individual purchases but also family purchases.

The other major aspect of the base impact relates to local purchases to sustain the operation of the installation. Quite often local purchases only refers to the fact that they are locally initiated. The base will initiate the purchase activity, while that purchase may come from some considerable distance from the locality. Once again the direct economic impact of a closure may not be ascertained simply by looking at the number of people and the amount of dollar local purchasing. What has to be done is to look at each individual case. We must look at the size, structure, and geographic location of the community affected as well as the particular characteristics of that community.

Under DOD closure procedures, advanced warning has been given in the hope that the lead time would better prepare for community planning. Our base closure studies indicate that a 1 year lead time is best. In cases where longer lead times have been allocated, the result has often been a thwarting of community development plans. Extended lead time resulted in stagnation of efforts to organize community recover and often produced false speculation about the possible future of the installation. In most cases involving existve lead time, the communities succeeded in arousing early interest by private firms generating jobs on the military installation, but only finding these whole efforts thwarted because of an inability to get at the base facilities.

With very few exceptions what we have seen in the closures are the bombshell announcement, as the Governor of Rhode Island was talking about. Before formal announcements there was very little to indicate that any of these bases had been slated for closure. With the closures of the 1960s the citizens were psychologically unprepared and momentary panic was the typical reaction in all of the communities. In more recent announcements the panic has been somewhat less, and it may be that some communities are beginning to anticipate closure actions.

As an immediate backlash to the closure announcement, Congressmen and civic leaders made block appeals to the Department of Defense to reverse individual closure actions. A very few communities succeed generally not to rescind the closure but to have some other military activity, move on the base.

Soon after the immediate panic subsided city leaders began to realize that some kind of economic potential occurred with the closure; they saw an opportunity to bring industry into the area and began energetic and extensive community action programs.

In most cases there was a feeling that as you moved away from the panic, an opportunity situation now developed in the community, an opportunity to have a more diverse economic base and a contribution to the economic growth of the region. This realization generally came at about the same time it became clear that the Department of Defense wasn't going to rescind their order.

Ideally, of course, a rapid release of personal property, land, and structures by the DOD was followed by a concerted community action to put these facilities to productive use, but the process of accomplishing this was often quite slow. As is well known, the regulations governing the disposal of surplus real property provided for the sale of these facilities with considerable public purpose discounts. The surplus properties not used for public purposes are sold by GSA under bid arrangements. The disposal never produces very much money for the Federal Government. It usually does accomplish turning these resources back into the private sector, toward public purposes.

When you close a military installation, you are left with some structures. In almost all cases the thing that you end up with that was of most value was the airstrip. The airstrip in most cases was transferred to local control and became the community airfield.

Another facility that was quite often used was the base hospital. This hospital was typically turned into a functioning hospital, a training hospital, vocational rehabilitation center, or something of that sort. The dormitories and other facilities of that type tended to become educationally associated, providing the basis for vocational and technical schools, training institutes for State troopers, junior colleges, satellite universities, and the like. Very few pieces of property were sold as commercial ventures.

The delay in getting on to the base and getting these pieces of property for commercial use quite often turned out to be one of the great detriments to the rate of economic growth and development in the community.

Mr. HOGAN. Could I interrupt you at this point, Doctor? The law required that if the Federal Government declares anything surplus it must first be offered to other Government agencies, and only when they all say they have no need for it, then it must be offered to State and local government, and then only after they refuse it can it be offered to outside people. I apologize for missing part of your testimony. I had to make a phone call. During the Governor's testimony, I asked about the business of leasing from the Federal Government as opposed to buying it through a declaration of its being surplus. Would you comment on that? Has that been done? Is it feasible in these situations?

Mr. DAICOFF. Let me preface my remark by saying I am at this point working with the mayor of Topeka, Kans., and his Steering Committee, on the reuse of Forbes Air Force Base which is being closed as one of the 1973 closures. We have a unique situation in which the base will not be closed and declared excess in total. There will be a continuing SAC use of that installation so that it will be partial declared excess. The current plans of the Office of Economic Adjustment in the DOD is to establish a lease arrangement for that facility as soon as possible. This is unique. This is the first of this kind of arrangement. The more typical procedure is to wait until the base is cleared, declare it all excess, and then, as you say, turn to civilian usage. We have now a beginning, one case, of a totally different system.

Mr. HOGAN. Thank you.

Mr. DAICOFF. In November 1964, the Secretary of Defense announced the closing of 80 military installations, to that point the largest by far of all the base closures that had begun in 1961. What we did at the University of Kansas was to conduct a detailed analysis of these closures and monitor the effect on the local community for a 3-year period under sponsorship of the U.S. Arms Control and Disarmament Agency which, as you know, is charged with the responsibility to analyze the impact of various economic adjustments due to defense curtailments.

We studied the 80,000 workers displaced by these actions, this analysis might shed some light on the current closure situation. After the closure, some of the affected areas continued to grow and some continued to decline. Some areas that had been declining continued to go down. Some were growing and continued to grow. There were only two communities that really had been growing and all of a sudden turned down, 2 out of 23 communities in the country that could have anticipated a serious economic consequence.

If you relate the size of the closure to the size of the community, as the Governor of Rhode Island was just doing, our studies show that if you have a large impact (let's say the number of jobs displaced was equal to 5 percent of the population), the chances of a negative economic trend in that economy were 5 to 1, 5 chances to 1 that the economy would turn down in the area if the employment displacement was 5 percent or more. If it was below that, you wouldn't see anything. There were too many offsetting forces.

Relatively little unemployment resulted in all these 1964 closures. That stems from two reasons. Great efforts were made by the Department of Defense to relocate civilian personnel, and many local jobs were vacated by Department of Defense personnel and their dependents. Thus employment opportunities became available to the small number of local people who lost their jobs either directly or indirectly as a result of the reduction in military activity.

With the aid of the Department of Defense relocation program, employment problems were largely self-corrected. The general level of economic activity in the Nation may well have accounted for what was going on. What we had at that time was a very, very robust economy and an economy that could absorb this kind of reduction with much less detrimental effect than if the economy had not been as prosperous.

Let me turn quickly to the manpower studies themselves. As a part of this analysis we traced these Department of Defense personnel to see what happened to the individual workers.

We discovered that these workers did adjust their employment status. Many of them chose to terminate their employment with the Federal Government. Career terminations were accelerated by these closures. People were given opportunities to move to other locations for new jobs within the Federal Government. Some did move to new locations to accept new Federal jobs, some even moved and took jobs at lower pay scales.

In these years the Department of Defense manpower and assistance program was unique. There was an automated priority placement system, the payment of moving expense, income protection at the same rate of pay for 2 years, provisions for retaining and provision for severance pay. The automated central referral system offered each Department of Defense employee who joined this system the opportunity to find another job within the Federal Government, particularly within the Department of Defense. Of the 48,000 people affected, 32,000 just took other Federal jobs, while 16,000 withdrew from Federal employment.

One of the things that happened was that the rate of retirement changed drastically. That is a matter of particular concern for this committee, let me relate a couple of numbers to you. In the 2½-year period between November 1964 and July 1967, at a time when 2.7 percent of all Department of Defense employees left Federal employment on retirement, 13 percent retired from the 65 defense installations. In other words, there was a five times as rapid an increase in retirements from these defense installations closures than is normal in the Defense Department.

It has been long recognized that the severity of the local economic consequences of base closure is influenced by the state of the national economy. In the latter half of the 1960's the adjustment experience of the communities and the Department of Defense civilian workers indicates that there was an overestimation of the seriousness of the resulting economic distortions. That is to say that there was an underestimation of the resilience of the local economies and the adaptability of Federal employees. Against a background of national prosperity at the time, the affected communities adjusted to the closures with relative ease. This is not to say that there were no localities or no business sectors that didn't suffer, but the overall experience showed that the disaster that was sometimes forecast did not occur. Beyond a high and growing level of national employment and income, other concurrent trends affected the adjustment of DOD civilian workers. At that time total Government employment was rising. Even the DOD was growing. From the viewpoint of the Government and the workers the main problem was one of relocation and matching of skills and jobs.

This relocation and matching was handled with considerable skill and success. Base closures announced in April 1973, when economic growth is much less rapid, when unemployment is high, and when total Government employment is not rising, may trigger

more serious adjustment problems. When the history of these closures is written it may tell a quite different story.

Mr. DANIELS. Professor, it occurs to me that the economic situation prevailing between the period from 1964 to 1967 and today is entirely different.

Mr. DAICOFF. Yes, sir.

Mr. DANIELS. We were involved in a war, and we had hundreds of thousands of young men in the military service. Besides, there has been a substantial increase in the civilian employment in defense. We were in a rising economy at that time. Our unemployment level was low, less than 4 percent. You know conditions today are entirely different, with the war having been scaled down in Vietnam, practically at a standstill, with unemployment hovering for the past few months between 5 and 6 percent. In spite of an expanding economy, and more people at work, we still have approximately 4½ million people out of work today.

The situation existing in these two periods of time were entirely different. I think the situation that was presented here this morning by the Governor of Rhode Island paints an entirely different picture. The question is how do we prepare for this.

I know you have studied this field. I have looked over your background and prior testimony that you have given. I am wondering if you have any specific recommendations to make in this area.

For example, you mentioned something about leadtime. What would be a reasonable and adequate leadtime?

Mr. DAICOFF. I can appreciate the Government's concern about relocation of an airport, and cities and States making financial commitments to one particular course of action.

What I am concerned with is that a long leadtime, say 5 years, is worthless in terms of redevelopment programs. All you accomplish in the community is frustration and concern that maybe it is going to be changed.

In a case like Amarillo, Tex., one of these communities affected in 1964, there began to be some interest in using the facilities, and moving forward to redevelop the area, but it didn't look like they were closing it very rapidly, maybe it would be postponed, so that nothing ended up happening. You didn't develop within the community a serious enough concern to move forward in terms of developing real programs to offset the real economic impact that may be forthcoming in the community.

Mr. DANIELS. Hadn't that been due to the pressure that may have been exerted by Members of Congress upon the Department of Defense, which stalled the proposed closing?

Mr. DAICOFF. Yes; you have all sorts of conflicting ambitions at this time, conflicting motivations. The typical Congressman and mayor will say, "Let's keep the military there as long as possible. Let's keep the employment and the income continuing to be generated." The local development people, your economic administration people, and chamber of commerce people will say, "Let's get the military out of there as quickly as possible so we can get those facilities quickly converted to peacetime usage, and we can get jobs in there on that installation, civilian jobs."

Mr. DANIELS. Mr. Hogan brought up a question with regard to the transfer, or sale, or leasing of property to the Government or to private enterprise. You know we had a lot of redtape on that so far as the law is concerned. When an agency of the Government has no further use for a facility, it must declare it as surplus, and turn it back to the government, and the Government agency in charge of that is GSA. GSA then offers it to other agencies of the Government to see if they have any use for it. It would be rather senseless for the Government to go out and buy additional property when they may have property that can be used by an agency to good advantage.

If no agency of the Government comes forward then it is offered to States and local government for public use. They may even get it for nothing. On the other hand, if they enter into competition with private enterprise they have to pay the fair and reasonable market price for it. That involves a great deal of redtape, and it is time consuming. By the time you are able to convert it to private use, maybe 2 or 3 years—and I have seen cases where maybe 10 years roll by—the local community suffers. It can't stand still, not if it is interested in keeping the economy perking.

Mr. DAICOFF. If the base closure is a clear one, like some of these announced in 1973, the closure will occur within 6 months or 9 months. The military presence will leave the installation. There are cases in the last major closure of 1964 where the total transfer to civilian use was accomplished between 9 months and a year.

On the other hand, you are certainly right that some of these closure activities can take as much as 10 years. In Topeka we are now very intrigued with the possibility of within 3 months getting on to the base to begin reuse.

I must in all honesty say that there is great concern in Topeka, Kans. today about what precise rules and regulations are going to be.

Mr. DANIELS. What did they do with the base in Topeka? Was it sold or leased?

Mr. DAICOFF. After the April announcement, everything is going to leave with the exception of some small SAC facility and some Air National Guard. The rest of it will be declared excess. That excess may or may not involve sale, as you describe it. There may be some kind of lease arrangement for the time being, as a unique new program in this base reuse.

Let me stress once more that it is the anxiety that the local community feels in terms of the uncertainty of how to deal with Department of Defense facing this problem that is of great concern.

Mr. DANIELS. Have you taken a look at the bill, H.R. 7731?

Mr. DAICOFF. Very briefly, sir.

Mr. DANIELS. It provides special assistance benefits to Federal employees unvoluntarily separated due to reduction in force.

Mr. DAICOFF. Yes.

Mr. DANIELS. Do you have any comments about this bill?

Mr. DAICOFF. This retirement area is one where you have this great leverage, as I tried to indicate in that 1964 study we found a five-fold increase in retirements on a base closure area. If these

conditions were to be further liberalized, I presume that there is a similar leverage on that side of reducing the direct dislocation due to the closure.

Mr. DANIELS. Of course you did mention around 1964-1967 that the number of retirements was five times greater than normal.

Mr. DAICOFF. Yes, sir.

Mr. DANIELS. Did you inquire as to why there was such acceleration of retirements at that time?

Mr. DAICOFF. What you seem to see, by the use of the referral system is the way we got the data, when there was a job opportunity in the community, if the economy was doing favorably well, and there were job opportunities that the individual saw were available to him, and he had a choice of either leaving Federal employment, taking early retirement, getting a job, remaining in his community, or moving to some other place halfway across the country to an unknown situation, he would take the early retirement.

Mr. DANIELS. Did he enter into private employment?

Mr. DAICOFF. Yes, sir.

Mr. DANIELS. To what degree?

Mr. DAICOFF. My information showed he took a job in the private sector. That is as far as I could trace him.

Mr. DANIELS. You don't have any figures then?

Mr. DAICOFF. No, sir.

Mr. DANIELS. Do you know whether or not this great number of retirements that took place might have been influenced by the fact that the retirement benefits around that time may have been improved over what Federal employees were entitled to prior to 1965.

Mr. DAICOFF. No.

Mr. DANIELS. You didn't go into that?

Mr. DAICOFF. No, I didn't.

Mr. DANIELS. If you do make a study of it, I wish you would look into that phase of it too. Because retirement fringe benefits have been considerably improved over the period prior to 1965.

Mr. DAICOFF. We watched the period say 1964 to 1967, and observed the retirements in the Department of Defense in general, and then the retirements from these particular installations.

Mr. DANIELS. Professor, thank you very much. We appreciate your coming here to give us the benefit of your views.

Mr. DAICOFF. Thank you.

Mr. DANIELS. The committee will stand adjourned subject to the call of the Chair.

[Whereupon, at 11:20 a.m., the subcommittee adjourned subject to the call of the Chair.]

[The prepared statement submitted by Professor Daicoff follows:]

PREPARED STATEMENT OF PROF. DARWIN W. DAICOFF

I welcome this opportunity to discuss the present state of knowledge about the economic impact of military base closings and to report on our studies conducted for the United States Arms Control and Disarmament Agency on this topic. My discussion consists of two parts. First, I will consider those general local or community economic impacts that have been shown to result from base closures, and second, I will consider the specific adjustment of DOD civilian personnel to these closures.

LOCAL ECONOMIC IMPACTS

In recent years a large number of investigators have considered the economic consequences of the discontinuance, reduction, or consolidation of certain defense activities. Some of these studies have focused on the economic impact of military base closings and particularly on that impact as it applies to communities located near military installations that experience a cut-back in activity.

General discussion

To put the discussion in focus, it is important to recognize that the economic interrelationships between a military base and the surrounding community are considerably different from those relationships between a private industry and a community. The work-force of defense installations is substantially supplied from outside the local community; and when the usefulness of military personnel has ceased at one location, often they are simply transferred to another site. It is this transferable nature of the military population which limits the impact of a change in the level of operation of a military installation.

It is common for a locality to be concerned about the loss of a military installation. The closure of a military base carries with it a loss of military payrolls and purchases. But before the magnitude of the loss to the community can be quantified, it is necessary to analyze the actual local impact of these payrolls and purchases—the question of how economically dependent a community typically is on a nearby military installation must first be answered.

The payrolls earned by military personnel may have little or no local economic impact, particularly if the base is relatively isolated. Two factors modify the community impact of the off-base spending of military personnel. First, most military installations provide housing on the base for at least a portion of the enlisted men and officers and thus keeps them out of the local housing market; this fact helps to limit the effect of massive and sudden shifts in military activities. Second, much of the purchasing done by military personnel (whether they are housed on the base or in the community) is concentrated in the base commissary, the post exchange, and the base recreation facilities—estimates range between one-third and one-half of total purchases. In contrast, the civilian employee at the base is more typically a patron of local stores and service establishments. Thus, the magnitude of the area or regional effect due to the existence of a military installation is a function of both the mix and the number of civilian and military personnel.

It is significant that military families are more important to the local economy than are bachelors or married men whose families are not with them. Military families tend to live in the community and to spend most of their incomes there. Employed military dependents tend to be secondary wage earners who exhibit a mobility parallel to that of the head of the household. Single men usually live on the base and tend to spend mainly on the base or in nearby large cities.

Installations not located near large cities often procure only very small portions of their supplies and materials in the local area. Though the local purchases of a base constitute a positive economic factor for the community, the bulk of maintenance costs are usually expended outside the immediate vicinity. The proportion of installation spending that occurs locally is dependent on both the requirements of the base and the facilities of the community. The extreme situation occurs when a base has almost every commodity and service purchased from firms located a considerable distance from the base. In such a case, base procurement adds little or nothing to the local community. There is some evidence to suggest that base construction spending does result in a significant local impact. Yet, with all factors considered, the base's local purchases coupled with the influence of the private purchases made by military personnel can be significant to the local economy.

In each base closure the particular circumstances which surround the affected community influence its economic adjustment. This set of circumstances includes the size, structure, and geographic location of the community as well as the set of attitudes peculiar to the community. As might be expected, the larger and more economically diversified the community the greater its stability and its ability to adjust to exogenous fluctuations, such as changes in military activity.

Likewise, the type of military installation involved influences the magnitude of the impact. For example, the inherent differences in input requirements between a Strategic Air Command base and a shipyard dictate different demands on the adjacent area. The primary factors influencing this demand are the relative size of the military and civilian components of base personnel and the facilities included at the installation. Strategic Air Command bases are typically of only moderate size and are often located near small rural communities. By virtue of their function as a primary defense unit they are staffed by a large number of military personnel and only small numbers of civilian employees. A large proportion of the military personnel at such bases are enlisted men. Of these a substantial percentage have only small families or are unmarried. In contrast, installations such as shipyards are typically of substantial size and often within or adjacent to large metropolitan areas. Such installations are primarily concerned with production and maintenance and involve a large civilian component with a relatively small military complement. It is these differences that have been shown to account for the variations in the economic relationships between defense installations and the communities near them.

In spite of increased sales, particularly in the service sector, the existence of a military installation has not proved to be a special impetus to expansion of other economic activity in a community. Rather it seems to lead to a feeling of complacency which discourages efforts to broaden the community's economic base or to seek new economic growth-producing activities. In addition, the workforce which would have been available in the area may be comfortably employed by the DOD. Thus the workforce necessary to attract new industry is not available.

Closure pattern

Under the DOD closure policies, advanced warning has been given in hopes that the lead time would allow for better preparation and planning by the community. Base closure studies have shown that optimum lead time between announcement and actual closure is about one year. In cases where much longer lead time was allotted, the result was often the thwarting of community plans. Though lead time was designed to allow a systematic removal and/or disposal of equipment and facilities to other governmental or private sources as well as to facilitate the transfer of personnel, extended lead time resulted in stagnation of efforts to organize community recovery and produced false speculation about a possible future for the installation. In most cases involving excessive lead time, the community succeeded in arousing interest from private firms in the possible use of the facilities long before the military evacuated them. The time lapse between the announcement of the facility availability and the actual release delayed effective community efforts to replace the military with civilian economic activity.

There are provisions made by Federal agencies to promote a smooth transfer of installations from military to civilian control. When an installation is slated to be closed, the object of the Federal government is to convert the entire facility to private or local governmental ownership and/or use as quickly as is feasible while protecting the Federal investment in the facility. Though the General Services Administration oversees much of the disposal of surplus military equipment and property, the Office of Economic Adjustment (OEA) in DOD is charged with facilitating the transfer in areas where the magnitude of the impact is anticipated to be great.

Reaction

With only few exceptions such as Donaldson AFB where it was long understood that closure was planned, the communities learned of the impending closures through a "bombshell" announcement issued by the DOD. Before the formal announcement, closure decisions were very closely kept secrets; there was little to indicate that any installation would be slated for closure. With the closure of the 1960's the citizens were psychologically unprepared for the announcement of what they immediately perceived as economic disaster. Momentary panic was the typical reaction. The more recent closure announcements have been met with somewhat less panic—it may be that communities are beginning to anticipate closures.

In an immediate backlash reaction, congressmen and city leaders made block appeals to the DOD to rescind individual decisions. A few communities

succeeded in securing a modification of the closure decision—not in the form of an order reversal but rather by the creation of new military activities at these installations to affect the closure. In a few cases such as Hunter AFB at Savannah, Georgia and Amarillo AFB at Amarillo, Texas, the installations were almost immediately assigned a new activity related to U.S. military activity in Southeast Asia. Still, for almost all of the installations the announcement by the DOD stood firm.

Soon after the immediate panic subsided, city leaders began to realize the economic potential inherent in the closure. The opportunity to secure private industry to replace the military installation began to appear bright. Extensive community campaigns were frequently inaugurated to enlist the support of the entire community in a unified effort to overcome the economic consequences of the loss. Soon the community consensus was that what had first been perceived as an ominous threat now could be a great opportunity for the city's long-run economic growth and diversification.

This realization usually came at about the same time the final administrative announcement on the irrevocability of the closure was made. On community request the OEA entered to work with representatives of the local area to facilitate recovery activities. A major step generally involved the formation of a citizen's group which was made responsible for charting a course for reuse of the installation facilities.

Redevelopment

Ideally a rapid release of the personal property, land, and structures by the DOD was followed by rapid community actions to put these facilities to productive use, but the process of deciding the future of the military properties was often quite involved and lengthy. Potential military uses for the defense facility and equipment were considered prior to the closure announcement, but even after the announcement, other Federal uses had to be considered.

Regulations governing the disposal of surplus real property provide for the sale of the facilities to public organizations for approved public uses with discounts from the fair market value of the property ranging up to 100 percent. Surplus properties not utilized by public agencies or institutions are ordinarily sold by GSA on a competitive bid basis. The actual disposal procedure is such that almost all of the facilities come to be owned by approved local agencies for approved and heavily discounted purposes. Thus the Federal government often does not receive much remuneration for the assets but it does secure a use for the facilities consistent with the objectives of Federal policy.

In communities where much private and local public re-use of military facilities occurred, economic recovery has been more rapid than in those where re-use has been minimal. In many cases the first and predominant re-use was by state and local government agencies.

Often the newly-vacated facility included an excellent air strip and auxiliary buildings. In almost every community, the transfer of these air facilities to municipal or local control offered a great boost to the area by providing a ready-for-use free airport to the city.

Other specialized facilities freed for local public or private use were base hospitals and special classroom areas. There were actual operating hospitals which became available for immediate use. The hospitals were nearly always retained in medical or semi-medical uses—that is as a functioning hospital, a training hospital, or a rehabilitation center. Though such use commonly does not impart a particularly large economic impact on the city, this re-use can be viewed as a community advantage since the community gained a valuable piece of social overhead capital.

Though not restricted to those buildings specifically designed for academic instruction, a very major portion of the re-use of military facilities in almost every area was devoted to academic purposes. In conjunction with the educational activity, the military quarters were often transferred to dormitory use. Educational institutions which located on vacated military bases ranged from vocational and technical institutes, such as training institutes for state troopers, to junior colleges and satellite campuses of large state universities. Often the type of educational facility was more or less tailored to the area so as to meet its special needs. This is illustrated by the large number of vocational and technical education centers which were established on the closed military installations.

The remainder of the properties and lands of the installations were most often sold to private industry. These properties are commonly segmented into easily handled land units which can be used separately or grouped together in large packages as they are needed. The structures in these areas can consist of various storage and meeting buildings. In addition large machine shops are often available; installations such as shipyards contain many such work shops. As the process of site selection and the completion of transfer arrangements are sometimes very time consuming, it is not unusual for the first use of the installation to be a local or state governmental project such as an airport or school facility with private industry moving in later. Though public agencies can often operate without a clear deed to the land, private industry is usually delayed until the entire installation is vacated, allowing it to obtain the facilities permanently.

In some cases, large parts of the installation were taken over by one firm, such as Boeing Company or the American Machine and Foundry Company. In one instance, the situation was unique; the entire installation facility of Presque Isle AFB—Presque Isle, Maine was converted to the Skyway Industrial Park in a complete utilization of the facility's potential.

As an alternative and/or addition to the re-use of base facilities, increased industrial activity outside the military installation also produced the needed upsurge in economic activity. Promotional campaigns aimed at utilizing base facilities and land were also frequently successful in arousing interest in private industry outside the base.

The 1964 closures

In early 1961 the DOD began a cost reduction program. By the end of fiscal 1969 over 1,110 actions had been taken to realign the functions of the nation's military installations. The pre-1970 actions resulted in the release of nearly two million acres of land and the elimination of 212,602 DOD jobs. Though these actions have occurred throughout the period since 1961, the largest number occurred in 1964-65. Of these the most significant block of closures were those announced by the DOD on November 18, 1964, affecting 15 foreign and 80 domestic installations. Although this represented only about one percent of the total number of actions, it accounted for a large part of the total realignment activity. About one-third of all job eliminations and more than a fifth of the total released acres were the direct result of these actions. The DOD estimates that these closures resulted in an annual saving of \$1.7 billion—a figure which represents a quarter of the total savings realized.

A major study of the realignments in the November 1964 announcement was sponsored by the U.S. Arms Control and Disarmament Agency. In this study, selected closures were analyzed in great detail. Since the closures that were studied are among the largest of the earlier pre-1970 period, they probably produced the greatest impact; a review of the major conclusions from this study is quite appropriate and applicable to the analysis of current adjustment problems.

After the closure announcement, some of the affected areas continued to grow and others declined. In those communities where the direct reduction of employment due to the closure was large, representing five percent or more of the community's population, negative employment trends outnumbered positive trends five to one. Where the direct employment loss was between two and five percent of the population, no identifiable pattern of change in employment growth related to either the magnitude or the timing of the closure was evident.

Relatively little unemployment resulted from the closures for two reasons: a) great efforts were made to effect large scale transfer and relocation of civilian personnel, and b) many local jobs were vacated by DOD personnel and their dependents. Thus employment opportunities became available to the small number of local persons who became unemployed as either a direct or an indirect result of the reduction in military activity. With the aid of the DOD's relocation program, employment problems were largely self-correcting. The general level of economic activity in the nation may well account for a major portion of the success that these communities have had in offsetting the effects of the installation closures. The adjustment experience might have been significantly different had the national economy been less robust.

ADJUSTMENT OF DOD CIVILIAN PERSONNEL

Let me now turn to the second portion of this discussion and to the specific adjustment of DOD civilian personnel to base closures.

Previous manpower studies have indicated deficiencies impeding the efficient and effective utilization of manpower no longer needed by DOD. Among the most important is geographic immobility. The economic problems resulting from the separation of large numbers of DOD civilian personnel could be somewhat mitigated by the adoption or expansion of DOD manpower policies. Of particular importance are those policies designed to increase the geographic mobility of labor and expand opportunities for vocational training. In view of the absence of perfect mobility of personnel and the relative non-transferability of many military skills, the need for public policy becomes evident. In the past, significant numbers of DOD civilian personnel have been unable to take advantage of job availabilities in different geographic locations; and it is evident that many retirees and separatees from military service are not technically qualified to fill many civilian job openings. These problems must be attacked in order to facilitate the transfer of former DOD personnel to non-military tasks in society.

A study for the United States Arms Control and Disarmament Agency highlights the effects of the curtailment of military activities on the civilian labor force. The study focused on the impact on more than 80,000 DOD civilian personnel whose jobs were to be eliminated or transferred as a result of curtailment actions announced by the DOD in November, 1964.

The curtailment actions forced the DOD civilian employees of the affected installations to adjust their employment status in some manner and resulted in a much greater proportion of the employees choosing to end their career with the Federal government than was usually the case. Closure accelerated the normal rate of retirement. Though DOD guaranteed all displaced workers equivalent positions at some location, those who continued their careers as Federal government employees often had to take different types of government jobs or move to a new location. Some few accepted lower grade positions within the DOD, and many who continued to work for the Federal government found it necessary to relocate.

The adjustments required of civilian employees took place rather rapidly. DOD civilian employees adjusted their employment status at a pace much ahead of the actual phase-out or closure of the DOD installations. This suggests that while some had an attachment to the local community, nearly all career employees preferred some assurance of their job future. More precisely, the employees did not like the uncertainty of continuing employment in a position which might be terminated in the near future. The dominating factor which determined the adjustment by the employee was the relative attractiveness of alternative employment opportunities whether they existed in the local area or not. Thus, strong economic and social ties did not seem to impede mobility.

DOD manpower and assistance programs eased the process of adjustment. The assistance program included the following operational elements: 1) the establishment of the Automated Priority Placement System, 2) the payment of the moving or relocation costs associated with the acceptance of a new DOD position, 3) an income protection guarantee which assured employees that their existing rate of pay would be maintained for a two-year period if they remained DOD employees, 4) the provision of retraining services in cases where warranted, and 5) the provision of severance pay for those workers who resigned from their Federal jobs. Factual information on employment opportunities within the DOD which permitted the matching of geographical and occupational preferences was provided to each of the workers. Despite the fact that the system did not account for a majority of the placements of workers in other Federal jobs, it did play an important role and increased the number of options open to the workers. The provisions for retraining services widened the workers' range of employment opportunities, but these services were not used to any great extent, indicating some degree of transferability of existing skills between Federal employment and private markets.

Between November, 1964 and July, 1967, 48,454 DOD civilian personnel were affected by the closure of DOD installations. (See Table 1.) Of the total affected, 32,418 were placed in other Federal government jobs and 16,066 were

released from Federal employment. Approximately one-third of the employees chose to accept private employment opportunities rather than to continue their Federal careers. This high rate of separation occurred despite the considerable effort expended in offering alternative Federal employment. One of the important factors contributing to this high rate of separation was the expanding economy. It provided many job opportunities in the local community. This eliminated the necessity of moving from the local area and resulted in many individuals choosing to terminate their Federal careers and to remain in the same location. The results might have been quite different had local job opportunities been less abundant.

TABLE 1.—THE EMPLOYMENT STATUS OF DOD CIVILIAN PERSONNEL AFFECTED BY THE CLOSURE OF 65 DOD INSTALLATIONS, NOVEMBER 1964 TO JULY 1967

	Number of personnel	Percent of total personnel
Personnel.....	48,484	100.00
Placements.....	32,418	66.86
Transferred with positions.....	7,310	15.07
Other DOD.....	20,871	43.05
Other Federal.....	2,025	4.18
Other.....	2,213	4.56
Separations.....	16,066	33.14
Resignations.....	4,227	8.72
Declinations of job offers.....	4,627	9.54
Retirements.....	6,535	13.49
Other.....	677	1.39

Source: "Reports of Civilian Personnel, 1964-1967," Office of the Assistant Secretary of Defense (Manpower), Department of Defense, Washington, D.C., undated, processed.

This experience also suggests certain general conclusions regarding the geographic mobility of different groups of workers. Female workers who are secondary wage earners, older workers near retirement age, and younger workers less committed to continued Federal employment are less likely to move to accommodate new employment than are older, more skilled, primary wage earners. Given an acceptable alternative, these latter workers will be willing to move appreciable distances in order to maintain their career status with the Federal government. The "younger" workers most often choose new employment in the local community rather than moving to alternative DOD or other Federal employment in other localities.

It is clear that the retirement rate among the employees at the 65 DOD installations was speeded by the base closure actions. The two and one-half year period, from November, 1964 to July, 1967, was a time during which about 2.7 percent of all DOD employees left Federal employment due to retirement, disability or death. The comparable rate for the 65 closed installations was five times greater—at 13.0 percent.

One should note that during the 1964-67 period the DOD was increasing the number of its employees due to the expansion of activities associated with Vietnam. The Federal jobs that were offered to the affected DOD civilian workers thus came from 1) the expanded DOD civilian employment due to Vietnam, and 2) the normal annual replacement of approximately five percent of Federal civilian employees. The situation today is quite different. First, DOD employment is decreasing, and while there may be employment opportunities in other Federal agencies, such opportunities will not necessarily match the DOD reduction as there is a poor match between DOD occupations and those of other Federal agencies. Second, in the near term, the rate of reduction of DOD personnel is likely to be much more rapid than the very slow rates characteristic of the major installation closures following the 1964 announcement. If, in fact, only a limited number of alternative Federal employment opportunities will become available, there will be an even greater need for maintaining a rapidly expanding private economy.

In light of these conditions, particularly the reduction in the overall size of the DOD as required by budget cuts, there has been a change in policy. While civilian personnel will continue to receive significant aid in adjusting to their change in status, the DOD no longer guarantees each affected person

another job offer. Even though the guarantee was ended, the remaining assistance is still significant and includes: priority rights to vacancies in other Defense activities, priority for reemployment, transportation and travel expenses, information regarding civilian jobs and retraining programs.

CONCLUSION

It has long been recognized that the severity of the local economic consequences of base closures is influenced by the state of the national economy. In the latter half of the 1960's, the adjustment experience of communities and the DOD civilian workers indicates that there had been an overestimation of the forecast seriousness of the resulting economic dislocations. That is to say, there was an underestimation of the resilience of the local economies and the adaptability of Federal employees.

Against the background of national prosperity and growth at the time, the affected communities adjusted to the closures with relative ease. This is not to say that no localities or business sectors suffered, but the overall experience shows the disaster that was sometimes forecast did not occur.

Beyond the high and growing level of national employment and income, other concurrent trends aided the adjustment of DOD civilian workers. At the time, total government employment was expanding, even DOD employment was growing. From the viewpoint of the government and the workers, the main problem was one of relocation and matching skills and jobs. This relocation and matching was handled with considerable skill and success.

Base closures announced in April, 1973 (when economic growth has been much less rapid, when unemployment is high, and when total government employment is not rising) may trigger much more severe adjustment problems. When the history of these closures is written, it may tell a very different story.

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