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THE ECONOMIC EFFECTS OF THE RECENTLY INCREASED MINIMUM WAGE

OVERSIGHT FIELD HEARING

BEFORE THE

SUBCOMMITTEE ON INSULAR AFFAIRS

OF THE

COMMITTEE ON NATURAL RESOURCES
U.S. HOUSE OF REPRESENTATIVES

ONE HUNDRED TENTH CONGRESS

SECOND SESSION

Friday, February 22, 2008, in American Samoa

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OVERSIGHT FIELD HEARING ON "THE ECONOMIC EFFECTS OF THE RECENTLY INCREASED MINIMUM WAGE."

Friday, February 22, 2008
U.S. House of Representatives
Subcommittee on Insular Affairs
Committee on Natural Resources
American Samoa

The Subcommittee met, pursuant to call, at 1:00 p.m., in the Governor H. Rex Lee Auditorium, Pago Pago, American Samoa, Hon. Donna M. Christensen [Chairwoman of the Subcommittee] presiding.

Present: Representatives Christensen and Faleomavaega.

STATEMENT OF THE HON. DONNA M. CHRISTENSEN, A DELEGATE IN CONGRESS FROM THE VIRGIN ISLANDS

Mrs. CHRISTENSEN. Oversight hearing on the increase in minimum wage is now called to order. I want to welcome our Lieutenant Governor and the President of the Senate, Speaker of the House, and all of the other members of the legislative bodies here, our chiefs that are here with us, and all of you who have taken the time to come and either be a panelist for us from the industry; from the community; and those who just came to be a part of what ends up being really a historic hearing. And I am sure my great colleague and distinguished colleague Eni Faleomavaega will point out that we've not had a hearing here in quite some time. As a matter of fact, we've not had a Subcommittee hearing on Insular Affairs for quite some time, but I am very pleased to be here in American Samoa to convene this oversight hearing on Subcommittee on Insular Affairs to look into the impact of the increase in minimum wage and the people and the economy of your islands.

When we reconstituted at the beginning of the 110th Congress last year, we pledged to take a subcommittee to the people that it serves. As a result, we held hearings last year on the Island of Guam, Commonwealth of Northern Mariana Islands, as well as my own Virgin Islands. Today we are honoring our pledge to your Congressman Faleomavaega to travel to your beautiful islands to hold a hearing as well. And we are truly here because of his leadership and work he's done on behalf of this issue, and his insistence and urging that we come to American Samoa. We thank you, Eni, for your leadership, not only as the senior member of the Delegates

from the territories and the Congress, but on your Subcommittee on Asia and the Pacific as well as your leadership, in general, on the territories and your leadership in the Congress as a whole.

As you know, when Congress sought to raise the Federal minimum wage for the first time in many years, it was not our intention to also raise the American Samoa minimum wage to the same level. While it was true that there was a focus on raising the minimum wage in the Commonwealth of the Northern Mariana Islands and while we are able to reduce the initial increase in schedule, American Samoa, unfortunately, got caught up in Mainland politics which had nothing to do with any underlying factors which would have suggested that we need to increase the minimum wage here. So we are here today to assess the need for and the impact of the increase of the minimum wage of American Samoa which your leaders did not seek and which members of my Subcommittee join them in seeking to block. In the end, we are only able to come away with incremental increases of a smaller size and a requirement that the U.S. Department of Labor report to Congress on the findings of a study assessing and projecting the impacts of the increases in the minimum wage.

The Department of Labor just recently issued their initial report that points out that the mandated minimum wage increase in American Samoa is unsustainable. One concern that I do have with that report, though, is that it does not address any time the standard of living or the quality of life needs of the people of American Samoa. These also need to be considered and balance needs to be sought on this. So we are here to listen to you, the leaders and the people of American Samoa, to hear from you how the well-intended attempt at increasing wages to better help American Nationals meet the increased cost of living is or is not working in American Samoa. While I generally support the opportunity for all workers to earn a larger wage, I am informed in this as my training as a physician to not do any harm in an attempt to do good.

Once again I look forward to hearing the testimony of the witnesses here today which will inform us on whether the actions the Congress took in raising the American Samoa minimum wage is in fact doing more harm than good or vice versa. Those of us who represent the territories know well that when legislation is passed in Washington, it is far too often that little thought or any is given to the impact such legislation will have on the insular areas. It is for this reason that I am pleased to have the opportunity to serve as a Chair of the Subcommittee on Insular Affairs to call attention to potential negative impacts of well-meaning laws that are passed by our Congress. I want to thank everyone once again for being here and to again say welcome, and I look forward to hearing from our witnesses.

At this time, I would like to recognize for his opening statement your own Congressman Eni Faleomavaega.

[The prepared statement of Mrs. Christensen follows:]

Statement of The Honorable Donna M. Christensen, Chairwoman, Subcommittee on Insular Affairs

I am pleased to be here in American Samoa to convene this Oversight hearing of the Subcommittee on Insular Affairs to look into the impact of the increase in the American Samoa minimum wage on the people and economy of your islands.

When we reconstituted the Subcommittee at the start of the 110th Congress, we pledged to take the subcommittee to the people it serves. As a result, we held hearings last year, on the island of Guam, the Commonwealth of the Northern Mariana Islands as well as my own U.S. Virgin Islands. And today, we are honoring our pledge to your Congressman, The Honorable Eni Faleomavaega to travel to your beautiful islands to hold a hearing as well.

As you know, when Congress sought to raise the federal minimum wage for the first time in many years, we were not looking to raise the American Samoa minimum wage. While it was true that there was focus on raising the minimum wage in the Commonwealth of the Northern Mariana Islands, American Samoa got caught in mainland politics having nothing to do with the underlying factors that would suggest the efficacy of increasing the minimum wage in American Samoa.

And so here we are to access the impact of an increase in the minimum wage of American Samoa which we did not seek and actively sought to block. In the end we were only able to come away with incremental increases and a requirement that the U.S. Department of Labor report to Congress on the findings of a study assessing and projecting the impacts of the increases in the minimum wage; which in its initial reported, which was recently issued, points out that the mandated minimum wage increase in American Samoa is "unsustainable".

So we are here to listen to you the leaders and representatives of the people of American Samoa on how our well intended attempt to increase the wages paid to American Samoa workers is working or not working if that's the case. While I support the opportunity for all workers to earn more, I am constrained as a physician, by the physician creed to not do any harm.

And so I look forward to the testimony of the witnesses here today to educate us on whether the actions we took is indeed not doing any harm. It is often the case when legislation is passed in Washington to cover the fifty states, little thought if any is generally given to the impact that such legislation will have on the Insular Areas. That is why I am pleased to be here As the Chair of the Subcommittee on Insular Affairs to give thought to and assess the impact of this law on American Samoa.

Thank you again for your warn welcome. I look forward to hearing from the witnesses.

STATEMENT OF THE HON. ENI F.H. FALEOMAVAEGA, A DELEGATE IN CONGRESS FROM AMERICAN SAMOA

Mr. FALEOMAVAEGA. Ia ee ia i ao sina le paia papapa o le Atunuu, le mamalu i le tapuaiga i le aiga Sa Levi, o loo fai tatalo i ao ma po e sii tapuaiga e fia i luma o le Atua aua lava le sailiga o faamanuiaga a le faigamalo a Tutuila ma Manua. Oute faatulou atu I le paia ia Sua ma le Vaifanua; Fofo ma Aitulagi; Ituau ma Alataua; Saole ma le Launiu Saelua ma Afioga I Maopu. O Paia ia te oe le Motu Sa; o le afio o le Laau na amo tasi ia Samoa. Afio I Faatui ma tootoo o le Faleula ma upu ia te oe le Manuatele. O le Paia o le faiga Malo a Tutuila ma Manua. Afio I lau Afioga I le Kovana ma le Sui Kovana ma lona kapineta, lau Afioga le Peresetene o le Maota Maualuga, le mamalu o Senatoa, lau Afioga le Fofoga Fetalai ma sui o le Maota o Sui o le tatou Fono. Lau Afioga le Faamasino Sili ma le vaega o Faamasinoga. Oute faapaI malu atu foI I le tapuaiga ma le seusilasila mai o le Malo tu toatasi o Samoa, Lau Afioga le ao mamalu o le Malo faapea le mamalu o le Fono suitofia; afio foI lau afioga le Palemia ma le kapineta, lau afioga I le Fofoga Fetalai ma sui mamalu o le Palemene, lau afioga le Faamasino Sili. O paia lava ia I Aiga ma latou tama, tama foi ma o latou aiga; Ituau ma Alataua; aiga I le tai ma le vaa o Fonoti, tulou, tulou lava. Ae paga lea o manatu le tonu ma faamoemoega o le agaga ina ia faaee le tai ma gau le vao, aua ni lelei mo le tapuaiga a Tutuila ma Manua. Ae ua lagona le vaivai ma le faatauvaa, sei tulou, ma ua oge upu o le gagana e sula ai faagalo Tutuila ma Manua. O lau teu faatupu ma lau tapuaiga faatamaaliI

sa faafaigofie ai mea uma o le tatou galuega ona o le tatou tausoa faatasi. Aua o le talitonuga lava lea o le Samoa, e manuia faiva ona o tapuaiga. O a foi ni manatu ma taofi eseese I mataupu sa tatou iai I nisi o taimi, Tutuila e, ma Manua o feteenaiga lava I luga o mataupu I le agaga tau ati ae. Ae oute talitonu lava ma le faamaoni o fea lava e tau ai le sousou o le tai, e toe mapu la i le lava i toafiamalie. Aua e maua pea le toovae le tofa mamao ma le faautaga loloto a le Atunuu. Talu ai o le tulafono a le Malo Tele I le siiga o totogi a tatou tagata faigaluega uma lava o lea ua afio mai ai lana Afioga ia Donna Christensen, o le taitaI o le soa komiti o le Maota o Sui o le Fono o le Malo Tele ma fai malaga mai ina ia vaavaai uma I galuega o loo mautu iai le faiga Malo a Tutuila ma Manua aemaise lava le mataupu lea ma le mafuaga ua oo mai ai nei le faigamalaga o lona finagalo ina ia maua mai ai se manatu mai taitaI o le tatou Atunuu poo a nisi fuafuaga a le Fono a le Malo Tele I le mataupu lava lea o le siitaga o totogi o tatou tagata faigaluega.

Madam Chair, it is my privilege and honor to again express the deepest appreciation for your leadership and your willingness to come all the way to American Samoa to conduct this oversight hearing. The last time I remember we had a Congressional hearing here in American Samoa was in the 1950s when Congressman Wayne Aspinall was Chairman of the Committee on Interior and Insular Affairs at the time. We had a report on that. So it is a real rarity that we have an occasion like this and have Members of Congress come and conduct Congressional hearings so that the people and the leaders of American Samoa can witness and also participate in the process—and see how American democracy operates and to witness the effort that we are trying to make to seek out the will and the wishes of the people and the leaders of American Samoa on this very important issue of the minimum wage.

Madam Chair, I have a prepared statement that is about 100 pages and I think, for the sake of time, I am just going to submit my statement for the record. I ask unanimous consent, Madam Chair, if this be done, and I also want to welcome Tony Babauta, our staff director; Brian Modeste, the distinguished senior counsel, and our good friend and Ranking Republican Member, Don Young, Mr. Richard Stanton. Also, Chairman George Miller, who handles the Education and Labor Committee, has assigned two senior members of his own staff on the Committee on Education and Labor to also join us this afternoon to hear and to listen to the concerns and the statements that will be presented in this hearing this afternoon. Again, Madam Chair, I want to thank you for this opportunity. As I said I think I pretty much made known to people here where I stand concerning the issue of minimum wage. But I do look forward to hearing from our witnesses this afternoon, and I think we might want to proceed in that regard. Again, Madam Chair, thank you for this opportunity.

[The prepared statement of Mr. Faleomavaega follows:]

Statement of The Honorable Eni F.H. Faleomavaega, the Delegate to Congress from American Samoa

Madame Chair:

I want to thank you for holding this hearing in response to legislation introduced by Chairman George Miller of the House Committee on Education and Labor to in-

crease minimum wage in the U.S. and its territories. As a result of Chairman Miller's legislation which was passed by the House and Senate and became Public Law (P.L.) 110-28, minimum wage was increased by fifty cents per hour in American Samoa and the Commonwealth of the Northern Mariana Islands (CNMI) on July 24 and July 25, 2007, respectively. P.L. 110-28 also automatically increases minimum wage by fifty cents per hour every year thereafter until 2014 for American Samoa, and 2015 for CNMI.

At my request, Chairman Miller included language, which became law, requiring the U.S. Department of Labor (DOL) to undertake a study to determine the impact the imposed minimum wage increases might have on the economies of American Samoa and CNMI. The DOL released its findings on January 25, 2008. However, given that no hearings were held by the House or Senate prior to passage and enactment of these minimum wage increases, on June 6, 2007 I wrote and asked if you would be willing to hold a hearing in your capacity as Chair of the House Resources' Subcommittee on Insular Affairs which has broad jurisdiction for the welfare of the U.S. territories. You agreed to this request and I especially thank you for your leadership and concern regarding this important matter.

For your information, my position regarding minimum wage is a matter of public record. For the past 18 years, I have fought to increase the wages of our tuna cannery workers because for too many years StarKist and Chicken of the Sea have purposely suppressed the wages of workers in American Samoa while increasing the wages of their corporate CEOs. For example, in 2004, it was reported that the CEO of Del Monte, the parent company of StarKist, was paid $1.7 million in salary, bonuses, and other compensations. With stock options included, he earned almost $2.65 million, or over 400 times more per year than the average cannery worker in American Samoa. The CEO of Heinz, once the parent company of StarKist, paid its top CEO more than $65 million in salaries, stocks, and options. Clearly, to any person of conscience, it is difficult to oppose minimum wage increases for the poor when companies are rich enough to pay their executives so much.

I also believe that if StarKist and Chicken of the Sea had done the right thing and paid our workers fair wages, we would not be in the predicament we are in today with federal law now mandating automatic minimum wage increases. But let me briefly share with this committee a bit of our history with the tuna industry given that American Samoa is a single-industry economy and that more than 80% of our private sector economy is tied, either directly or indirectly, to StarKist and Chicken of the Sea.

On May 8, 1956, Van Camp, which later became Chicken of the Sea, appeared before the U.S. Senate Committee on Labor and Public Welfare to urge consideration of legislation for the exemption of American Samoa from the wage and hour provisions of the Fair Labor Standards Act of 1938. William D. Moore, Overseas Operations manager for the Van Camp Sea Food Co., commenting on his company's desire to pay Samoan workers 27 cents per hour as opposed to the prevailing minimum wage rate of $1 per hour, said:

> "A minimum wage of $1 per hour, as required under present laws, is unrealistic, unwarranted, and unquestionably will have a deleterious effect upon the economic and social structure of the islands."

As further justification for suppressing wages in American Samoa, Mr. Moore said:

> "The Samoans are Polynesians. They are not American citizens."

Mr. Collins, legal counsel for Van Camp, said it this way:

> "The company has found that it takes from 3 to 5 Samoan workers to perform what 1 continental worker in the United States will do. It is, therefore, felt that this justifies a lower rate for Samoans."

If Mr. Collins were with us today, he would know that Samoan workers made Chicken of the Sea and StarKist the largest tuna canneries in the world, and the number one and two brands in America. In other words, at no time was either cannery justified in paying Samoan workers less than what they were worth. But the people of American Samoa had no real voice in these matters.

In 1956, when Van Camp was lobbying Congress to suppress our wages, the islands of American Samoa were administered by the U.S. Department of the Interior. It was not until 1977 that American Samoa elected its first Territorial Governor and in 1980 we elected our first representative to the U.S. Congress. By that time, the tuna industry already had a 20 year jump-start on fixing wage rates in American Samoa.

In fact, as early as 1956, Van Camp was successful in amending the Fair Labor Standards Act of 1938 to exempt the tuna industry from paying workers in American Samoa a minimum standard of decent living, and a special industry committee was assigned to substitute a sub-minimum wage structure that was supposedly com-

mensurate with insular economic conditions. The industry committee structure for American Samoa was intended to be an interim measure but it remained in effect until last year when it was abolished by the enactment of P.L. 110-28. I supported its abolishment because special industry committees were a sham and an insult to the intelligence of every hourly worker in American Samoa.

Our history with the tuna industry has also been insulting. Not once in our 50 year history has StarKist or Chicken of the Sea offered profit-sharing incentives or stock options to our workers. Instead, our cannery workers are given a case of wahoo at Christmas and a turkey at Thanksgiving and we're told that our wages must remain below the federal minimum wage rate because workers in Thailand and the Andean countries are cleaning fish for $0.60 an hour, or because it takes 5 Samoans to do the work of one white.

With excuses like these, the tuna industry really has no credibility left when it comes to speaking on the subject of minimum wage. StarKist has opposed increasing minimum wage for Samoan cannery workers based on what it calls "guiding economic principles." "One basic idea guides the actions of all major businesses," Starkist says, "and that is a business has an economic, legal, and moral responsibility to maximize the return it gives to its investors or shareholders." I am of the belief that higher laws should guide our actions and that we have a moral responsibility to do unto others as we would have them do unto us.

This is why, after ten years of StarKist and Chicken of the Sea refusing to increase Samoan wages by anything more than 3 cents an hour, I supported, in the newly enacted public law, a one-time increase of fifty cents per hour for American Samoa's cannery workers and lowest-paid government employees making less than $5.15 per hour. While both companies threatened to lay off workers due to the increase from $3.26 per hour to $3.76, the DOL report states *"that neither Chicken of the Sea nor StarKist has reduced output or working hours in immediate response to the first fifty-cent increase in the minimum wage."* I am pleased by this outcome.

On the other hand, I am concerned that further increases could be harmful to our economy. This is why I opposed automatic increases, or escalator clauses. Senators Inouye, Bingaman, and Akaka also opposed automatic increases but they, too, were unsuccessful in removing this language prior to it becoming law. Now that the DOL report confirms our position that automatic increases could be harmful to the economies of American Samoa and CNMI, I have introduced H.R. 5154 which would end automatic increases and would empower the DOL, in consultation with the Secretary of the Interior and the governments of American Samoa and CNMI, to conduct economic assessments every two years to determine when and if our economies can absorb future increases.

I have made Chairman Miller aware of this legislation and I am hopeful that as a result of today's hearing, he will work with us to find a solution that is fair to our workers and good for our economies.

Given that American Samoa's economy is not diversified, we cannot afford for our canneries to pack up and leave. This is why the Governor, my office, and the Fono have worked together to provide our canneries with the local and federal incentives they need to stay in American Samoa. However, despite our best efforts to support our canneries, the DOL reports that *when asked how quickly a decision could be implemented to transfer production to tuna canning facilities elsewhere, one industry spokesman replied, 'Minutes.'"* In my opinion, a response like *"minutes"* shows a disregard for our people and Territory and suggests that when our canneries go, they will give no notice.

According to the DOL, when our canneries go, their closure will have a ripple effect on our economy and could amount to a loss of 7,825 jobs. This is unacceptable and this is why I believe it is important for us to give our tuna canneries every reason to stay until the time comes for them to move elsewhere. Simply put, we must slow down the departure of our canneries until our economy is diversified.

Slowing down their departure means ending escalator clauses. Even though the DOL did not have the time it needed to fully assess the impact automatic increases would have on our economies in the years to come, the DOL report does show that the results would not be positive. The DOL report also states that raising the minimum wage in American Samoa to $7.25 an hour would be like raising the minimum wage in the States to $16.25 per hour. An increase like this is not sustainable, and I believe is an unintentional outcome of P.L. 110-28 which I hope will soon be corrected.

Finally, in closing, I want to remind this subcommittee and our people that our canneries will go one day regardless of what we do. Both canneries reported to the DOL that the tuna market is now focused on sealed foil packages rather than traditional canned tuna. If this is the case, it stands to reason that if StarKist and Chicken of the Sea were committed to American Samoa, they would be shifting pro-

duction in American Samoa from cans to pouches so that we could grow with the industry. But, to my knowledge, neither cannery has implemented a large-scale plan that would change our operations.

The reason for this is simple. Pouched tuna is generally hand-packed meaning it is a labor-intensive process. Labor rates in American Samoa are now $3.76 and more per hour. In Thailand and South America, which are American Samoa's competitors, labor rates are, as I stated earlier, sixty cents and less per hour. If StarKist and Chicken of the Sea have told DOL the truth, if the global tuna market is moving from cans to pouches, our canneries will go where labor is cheapest given that their guiding economic principle is to maximize the returns they give to their investors, not to their workers.

While I wish StarKist and Chicken of the Sea would be better corporate partners and stay in American Samoa for the long-haul, especially since they have exported almost $10 billion dollars worth of tuna from our home and lived off our backs for more than 50 years, American Samoa cannot and must not remain dependent on a single-industry. At some point, the American Samoa Government must be about the business of implementing the findings of the American Samoa Economic Commission.

But as long as the tuna industry is with us, I will continue to do everything I can to encourage them to stay including pushing for extension of 30A tax credits, ending escalator clauses, and protecting their interests in any and all future trade agreements.

Madame Chair, I thank you for holding this hearing and I look forward to working with you and Chairman Miller to find a legislative fix that will address the concerns I have raised.

Given our time constraints, I would like to also ask if, in addition to my testimony today, if you would include, as a matter of record, my 2001, 2003, and 2005 statements before the U.S. Department of Labor's Special Industry Committees No. 24, 25, and 26, each of which provides an historical accounting of the relationship between minimum wage rates in American Samoa and the U.S. tuna industry, which was responsible for suppressing wages in the Territory beginning in 1956.

In closing, I would also like to express, on behalf of the people of American Samoa, our sincere appreciation for your interest in the welfare of our future.

Mrs. CHRISTENSEN. Thank you, Mr. Faleomavaega.

We would like to begin with our first panel. We would now recognize Ms. Lydia Faleafine-Nomura, American Samoa Field Representative of the Office of Insular Affairs of the U.S. Department of the Interior. I thank you. I understand you are filling in for Acting Deputy Assistant Secretary Nikolao Pula, who could not be here, and we appreciate your coming to fill in for him.

STATEMENT OF LYDIA FALEAFINE-NOMURA, AMERICAN SAMOA FIELD REPRESENTATIVE, OFFICE OF INSULAR AFFAIRS, U.S. DEPARTMENT OF INTERIOR

Ms. FALEAFINE-NOMURA. Thank you, Congresswoman Christensen. Before I begin, may I just welcome you. I am sure you will hear many voices today from our people, and it is nice to see you and the staff here in our home and to my Congressman, nice to see you again. I hope to see you on the golf course soon.

Mrs. CHRISTENSEN. Let me also mention that the lights will indicate your time and the time is five minutes.

Ms. FALEAFINE-NOMURA. Madam Chair and members of the Subcommittee on Insular Affairs, I am Lydia Faleafine-Nomura, Field Representative for American Samoa in the Office of Insular Affairs. Mr. Nikolao Pula, Acting Deputy Assistant Secretary of the Interior for Insular Affairs planned to attend this meeting but at the last minute was unavailable to travel. Mr. Pula's full statement has been submitted for the record. With your permission, I will summarize it on the economic effects of the recently increased min-

imum wage in American Samoa and the Commonwealth of the Northern Marianas. Last May, Congress for the first time took direct action to increase the minimum wage for American Samoa and the CNMI by 50 cents per hour each year until those rates reach the Federal minimum wage rate. The new minimum wage law precipitated a report by the U.S. Department of Labor and proposals for amending the law by the Governor of American Samoa and the territories' Congressman. The DOL's report was published in January 2008. It raises concerns that future increases in the minimum wage rate in American Samoa and the CNMI will likely develop significant economic financial harm to the territories. These territories face unique challenges in attracting private sector businesses because of their geographic isolation location in a part of the world where most neighboring economies have much lower minimum wages and living standards.

Regarding American Samoa, the DOL report says at the present time the tuna canneries continue in operation, but there is concern that they will be closed prior to the escalation of the minimum wage to $7.25 per hour in 2014. An input-output model analysis commissioned by the Government of American Samoa has estimated that closure of the tuna canneries will cause a total loss of 8,118 jobs—45.6 percent of the total employment in American Samoa.

The canneries, which have shipped processed tuna to the United Stated for more than 50 years, have noted that in the future they may leave the territory and take their production to other countries where labor costs would be much lower, such as 60 to 70 cents per hour in Thailand and the Philippines. The canneries are not the only most critical component of the private sector. They also make up a significant part of the tax base supporting the American Samoa Government operations. Without the canneries as an anchor for the private sector tax base, cutbacks in local government operations and services would likely be necessary. The shuttering of industries in American Samoa and the CNMI could cause the respective economies to suffer prolonged and wrenching contractions.

In light of the risk to the CNMI and American Samoa economies that are identified in this statement and in the DOL report, the Administration suggests that Congress give strong consideration to amending Public Law 110-28 in order to avoid increases in the minimum wage that may be determined to result in significant job loss and harm the economies of the two territories. We offer some suggestions regarding the factors that should be kept in mind in evaluating any potential legislative revision.

First, regarding proposals for determination by the Secretary of Labor that would stop the implementation of an increase in the minimum wage, we would draw Congress's attention to the difficulty inherent in making any objective determination about the impacts of a proposed minimum wage increase before it goes into effect. Broad language that would postpone an increase in minimum wage based on a finding of any adverse impact on the respective economies of American Samoa or the CNMI might have the effect of preventing all progress toward a higher minimum wage. Narrower language requiring a determination that the increase will not substantially curtail employment allows more flexibility,

but the difficulties for the Secretary of Labor of obtaining reliable information upon which to base any determination will be significant.

Another model, excuse me, that Congress might consider is a special industry committee that sets the minimum wage rates biennially in certain areas of the United States and American Samoa for over 60 years. The advantage of the committee structure is that it ensures that the people who determine the minimum wage increases share first-hand knowledge of island economies while representing different stakeholders. When compared with proposals to vest the decision-making authority in the Secretary of Labor, this model offers the advantage of ensuring that local knowledge is fully incorporated and that stakeholders in the territorial economies are able to play roles.

Madam Chair, thank you for the opportunity to present a brief testimony and for considering the Administration's view.

Mrs. CHRISTENSEN. Thank you for your testimony. I now recognize myself for 5 minutes of questions.

But I know you just recently got called to come to testify, but I wanted to say you know that I am really pleased that the Administration recognizes certain risks to the American Samoa economy as identified in the Department of Labor report and suggest that Congress give strong consideration to amending the law that enacted the minimum wage increase in order to avoid increases that would result in significant job loss or harm the economy. But is the Administration prepared to go further, as far as you know, based on have you spoken to Mr. Pula or Nick back in Washington, or from your own knowledge, do you expect or can we expect that they will support legislation along these lines to suspend the minimum wage that will take place in May?

Ms. FALEAFINE-NOMURA. I have not been told that directly but I will refer your question to Mr. Pula and have them in writing for you.

Mrs. CHRISTENSEN. And we do have some other questions that we probably will submit in writing to the Office of Insular Affairs Acting Deputy Assistant Secretary. I will just ask you maybe one other question.

Given the stagnation in the wages over the many years and the increase in cost of living just from your own perspective, have you seen any lowering of the standard of living, any deterioration in the quality of life given the fact that it is costing more to just pay for basic services and the minimum wages have not significantly increased?

Ms. FALEAFINE-NOMURA. Personally I think the quality of living has improved, and the standard. I have lived here over 40 years, and that is my personal opinion.

Mrs. CHRISTENSEN. Thank you. I now recognize Faleomavaega for his questions.

Mr. FALEOMAVAEGA. Thank you, Madam Chair.

Ms. Nomura, I know this is a very uncomfortable position that you have taken given the fact that you were just told to do this on behalf of our Deputy Acting Assistant Secretary Nikolao Pula who represents Kempthorne. As you know, the Department of the

Interior is the lead agency on behalf of American Samoa before the Congress and other agencies of the Federal government.

Ms. Nomura, when Secretary Kempthorne was here, I believe the understanding that he was committed and wanted to do everything he could to assist American Samoa in looking very carefully at the issue of minimum wage. Is that—I believe you weren't here when Secretary Kempthorne was here as well?

Ms. FALEAFINE-NOMURA. Correct.

Mr. FALEOMAVAEGA. I take it that the Department of the Interior is very supportive of what it can do to make sure that the economic situation here in American Samoa doesn't become drastic?

Ms. FALEAFINE-NOMURA. Yes.

Mr. FALEOMAVAEGA. Years ago when the former Secretary of the Interior, Bruce Babbitt, in my consultations with him provided some $600,000 to establish the American Samoa Economic Study Commission, which is the first time ever in the years that the Department of the Interior—first time ever we've done this. This economic study took place about two years, and we have former Governor John Waihee from Hawaii as the Chairman. Do you know what is happening to that economic study commission's recommendations? Has the Department of the Interior taken any action on the status of this study commission report that was issued about four or five years ago?

Ms. FALEAFINE-NOMURA. That report, let me go back a little. As far as the status of that report, the Office of Insular Affairs has not received a formal recommendation from the Government of American Samoa excepting the recommendations in the commission's report. But I understand and perhaps future witness will correct me if I am wrong that the American Samoa Government has used that report to move forward in many areas such as agriculture, fisheries, the information technology. So they are using the report, but there was no formal acceptance and recognition.

Mr. FALEOMAVAEGA. So to your knowledge there has never been any real formal policy, statement, or endorsement or something saying that our Legislature and the Governor are united. They're saying these are the economic priorities we want to recommend to the Department of the Interior and then you present it to the Congress in terms of how we can best resolve some of these economic needs of the territories. Has this ever taken place?

Ms. FALEAFINE-NOMURA. We have not received a formal statement from the American Samoa Government.

Mr. FALEOMAVAEGA. Is it your understanding that this economic study commission's report—has there been any initiative taken by the Government of American Samoa as a government? My reason for saying this is that the Governor may have his own priorities; the Fono may have its own priorities; I might even have some of my own ideas; but has there ever been a uniform policy, decision, or endorsement, or resolution of any kind to indicate what the economic priorities of this territory are relative to this economic study commission that the Department of the Interior had expended $600,000 to come through with such a report? Has this ever been done?

Ms. FALEAFINE-NOMURA. Well, to the Governor's credit, I will say he recently established an economic council made up of private and

public sector members. And I believe the Chamber President Mr. David Robinson is the co-chair, and he may be able to answer that question better for you whether there is a policy forthcoming and whether they've acted on the commission's report.

Mr. FALEOMAVAEGA. One of the most salient issues that came along as a result of the Labor Economic Study Report in January was the lack of data and information in terms of them addressing seriously the issue of the minimum wage. Now it was in proper perspective, generally, they did express concern about the economic inability of our territory to take up another 50-cent increase in wages but when you go to the data and information, they seem to admit that we still need to get more raw data and information to make sure we know exactly what our economic situation is. Am I correct on this?

Ms. FALEAFINE-NOMURA. Yes, there is a definite lack of statistical information.

Mr. FALEOMAVAEGA. I know my time is up, Madam Chair.

Thank you, Lydia.

Mrs. CHRISTENSEN. I am going to just reclaim my time for just one other question.

Because one of the recommendations from the Office of Insular Affairs is a model that considers using a Special Industry Committee. Again, and based on my reading and what I have heard that the minimum wage is set by the Special Industry Committee, the increases were rare and inconsistent. How did the Department of the Interior participate in the Special Industry Committee?

Ms. FALEAFINE-NOMURA. The department of the Interior does not participate in the Industry Committee other than to testify. I am sorry other than to testify before the committee.

Mrs. CHRISTENSEN. So in the testimony did they advocate for wage increases? Do you know?

Ms. FALEAFINE-NOMURA. They advocated for wage increases that did not affect jobs or substantially curtail employment in American Samoa.

Mrs. CHRISTENSEN. So they didn't recommend a specific level of increase?

Ms. FALEAFINE-NOMURA. No, they did not.

Mrs. CHRISTENSEN. Since it is being recommended, are there any modifications to the Industry Committee that you might want to recommend so that the increases, whether they come biennially or however often, could be more consistent and really provide some increase to meeting the cost of living?

Ms. FALEAFINE-NOMURA. The answer to that question would probably be more meaningful than I can afford, Madam Chair, at this time; so I would like to go back and get a more substantive answer for you.

Mrs. CHRISTENSEN. Thank you. And I will submit questions in writing. Thank you for coming this afternoon.

Do you have any questions?

Mr. FALEOMAVAEGA. I have 100 more questions.

Mrs. CHRISTENSEN. We will submit them in writing. Thank you, and you are dismissed from the panel. Thank you for your testimony Ms. Faleafine-Nomura.

Mr. FALEOMAVAEGA. I wonder, Ms. Nomura, in case we might have some questions with the Department of the Interior—

Ms. FALEAFINE-NOMURA. I plan to stay. Thank you.

Mrs. CHRISTENSEN. The Chair now recognizes the second panel to testify. And that panel we would like to call up The Honorable Ipulasi Sunia, Lieutenant Governor of American Samoa; and The Honorable Lolo Moliga, President of the American Samoa Senate.

Lieutenant Governor, when you are ready, you may begin.

STATEMENT OF THE HONORABLE IPULASI SUNIA, LIEUTENANT GOVERNOR OF AMERICAN SAMOA

Lt. Governor SUNIA. Thank you, Madam Chairwoman. Again on behalf of the Governor and the People of American Samoa, I welcome you formally here in this hearing in the Territory of American Samoa. And I hope you'll find time besides your business matter here to enjoy our weather. Talofa and greetings Chairwoman Christensen and Honorable Members of the Committee. We greatly appreciate this opportunity to appear before the committee on the urgent need for remedial legislation addressing the minimum wage increases that Congress had mandated for American Samoa.

I had submitted the written position of the Governor and the Executive Branch of the Government of American Samoa. So I would very briefly state that my remarks here this afternoon would be in addition to the written statement that we've submitted.

Mrs. CHRISTENSEN. Without objection, we'll accept your statement for the record.

Lt. Governor SUNIA. Thank you.

Lt. Governor SUNIA. I wish to just point out that—an observation on my part—something that saddened me in the news that we hear and we watch on television about the huge number of American jobs that have been lost to foreign countries as a direct result of the American free enterprise way of life. The shift of jobs overseas may involve a direct Congressional act; maybe indirectly as a result of foreign trade agreements. But if direct congressional act will be responsible when American Samoa's jobs join all those American jobs already lost to other countries? So you might ask, "So American Samoa, what do you want us to do?" My simple and brief answer is to enact legislation that is fair and just for the Territory of American Samoa.

On my way over to the hearing, I try to make some sense out of all this in my mind as I again and again how the lower wages we are asking can be justified and be considered fair when compared to the higher minimum wages made in the United States and other territories. Then I thought of a scenario. Suppose we all woke up tomorrow and found that the U.S. Government and Congress had moved to American Samoa and now Congress wants the American Samoa minimum wage to be the standard of the wages and, accordingly, enacted the law to lower the wages in the United States and other territories to equal that of American Samoa? Madam Chairwoman, the Committee is duly sensitive to the economic situation in American Samoa and has been very supportive. In particular, you and the Delegates sought to modify the 2007 minimum wage legislation to reflect actual economic conditions in the territory. On behalf of the People of American Samoa, I wish

to publicly express appreciation for your attempt to ward off this well-meaning but disastrous legislation mandate. Now that the Department of Labor has documented the dire impact of the 2007 legislative change on American Samoa, I urgently request this committee and Congress to enact timely remedial legislation. Committee support for the pursuit and enactment of tax and appropriations measures to correct the unintended but very real consequences of past actions—that is also needed and would be greatly appreciated.

We in American Samoa are proud to be Americans, and we have served our country with valor and devotion. Remedial legislation will help us to develop our economy so that we can stand with the other territories and the 50 states as one nation. Thank you.

Mrs. CHRISTENSEN. Thank you. The Chair now recognizes Senate President Moliga for your testimony.

STATEMENT OF THE HONORABLE LOLO MOLIGA, PRESIDENT, AMERICAN SAMOA SENATE

Mr. MOLIGA. Thank you very much, Madam Chair. Being a High Talking Chief from Manua, it is really hard for me to go on and speak a second language and it is very much inappropriate for me not to say something in Samoan because it is my duty as a High Talking Chief to properly address this gathering this morning. Therefore, I would like to take a minute or two to address that concern.

O le paia o le tatou Atunuu ua mafai ona potopoto mai I lenei taeao, o le afio atu o le Afioga i le Lutena Kovana o le paia lava lena o le tatou faigamalo. O le paia o tupu ma ee ole Falesefulu ma le Manuatele aemaise o le mamalu o le malo, oute faatulou atu. Oute faatulou atu foi i le paia o le malaga mai i afioga i alii faipule mai Uosigitone, le tamaitai taitai komiti i mea tau atumotu aemaise le tatou sui aoao I Uosigitone, oute faatulou atu I o outou paia. Ia taalolo laia paia o lau faigamalo Tutuila ma Manua, mamalu o le Atunuu aemaise le maimoa tapuaI mai o tatou uso I Sisifo, ia oute faatulou atu I le paia ma le mamalu o lenei taeao. O le a taumafai sina molimau e fai ai au ma sui o le Fono faitulafono e avatu se molimau aua mataupu i totogi maualalo e pei ona Malaga mai ai le faigamalaga mai Uosigitone.

At the outset, we wish to publicly acknowledge with much appreciation legislation introduced by our Congressman Faleomavaega calling for elimination of the escalator clause. This imposes a series of events leading to 50-cent hikes until the Federal minimum wage is reached. The concurrent resolution passed by the Legislature supporting this higher wage had been officially transmitted to the Honorable Chair this morning. Moreover, the joint position of the Legislature of American Samoa has been placed in your capable hands this morning with the same aspirations for the inclusion of this document as part of the record for this hearing. It is necessary to first correct the false impression that is being purposely spread by individuals with political aspirations or political advancement claiming that the current local leaders of American Samoa are dead against raising the minimum wage for the people of the territory. The primary concern of the local leaders is to ensure and to guar-

antee that the people will not lose their jobs in our attempt to raise the minimum wage in American Samoa.

If the United States Department of Labor guarantees to us that no jobs will be lost when we raise the minimum wage, by all means we accept this increase in minimum wage. Unfortunately, we are certain that the U.S. Department of Labor cannot and will not make such declarations today. What the U.S. Department of Labor stated in his report that it has not seen any evidence that a substantial job loss is due to the imposition of the first 50 cents in American Samoa's minimum wage. We only wish that is simple. Blatantly, we hear differently. We are beginning to witness some severe contraction in our economic system. Based on this observation and insight, we are convinced that the substantial job curtailment will result if the next 50 cents is imposed to our minimum wage. As local leaders, we cannot and we must not allow political agendas to stop us from doing what is best for our people and to do so would be politically irresponsible and immoral. The prepared statement of the Legislature of American Samoa provides data supporting the impracticality of adding another 50 cents to our local minimum wage.

It is greatly unfortunate that our present economic pace continues to be dominated by the one industry that competes with the global market and its survival is dependent upon this competitive advantage in the world market. It is important to note and to point out that the Federal government has contributed to the gradual loss of this competitive edge through engaging in bilateral agreement with tuna canneries offering direct competition to the two tuna canneries that do business in American Samoa in addition to forcing her to continue escalation in the American Samoa minimum wage without self-sustaining economic capacity. Economic activity has slowed dramatically since the imposition of the first 50 cents. Imports have declined substantially since 2006. Excess revenues have assumed a downward slide since 2005. The continuing upward spiral of fuel prices has worsened the situation. Events climb proportionally to population growth thus arising the need for more money not only to maintain the current level of service but also to address the additional needs for the people of American Samoa.

The United States is struggling with its own economic development challenges that directly affect our local economies. This worry necessitates caution against adding the next 50 cents to our economic minimum wage. This will no doubt trigger an economic devastation for American Samoa. It is better to preserve the jobs that we have today instead of gambling for low employment curtailment after the imposition of the next 50 cents.

In conclusion, we must recognize that the external solution sometimes cannot endure the challenges which are culturally and geographically placed. Our geographic investment and size provides limitation to our economic endeavors. It shrinks the scope of economic development potentials available for capitalization. It forces the fashioning of an effective economic incentive that will force the establishment. It compels our dependence on Federal government for physical support.

American Samoa's economic system cannot be assumed to have the economic capacity similar to the economic system in the world.

We must compete with our own island neighbors for investment. Incredibly, this test is made impossible because of the high cost of doing business in American Samoa. One major reason are the wages which are already five to seven times higher than that of our neighboring islands. Our current economic structure cannot absorb any external manipulation or contribution of economic factors without catastrophic results. We are working to reconfigure our economic structure so that minimum wage cannot be a controlling factor. Some economic transformations will need time. Therefore, we ask that you give us the ability to engage in this process and to ensure that the minimum economic pay is found.

Thank you very much, Madam Chair, for the opportunity to testify and offer testimony on behalf of the Legislature of American Samoa. You have a nice trip back and thank you.

[The prepared statement of Mr. Moliga follows:]

Legislature of American Samoa's

Joint Position

MINIMUM WAGE HEARING

Honorable Chairwoman Donna Christensen, Honorable Faleomavaega Eni Hunkin, and Members of the Committee, and staff; Allow us, on behalf of the Legislature of American Samoa, to add our warm welcome to those already extended by our Acting Governor, along with our deep sense of appreciation to the convening authorities, and to all of you who made this arduous trip to ascertain first hand testimonies from government, business, traditional leaders, and the general public on the minimum wage issue. Your physical presence in the Territory exudes a sense of reassurance that maybe we do have some say on this critical issue which affects the lives of Samoan Americans inhabiting the remotest piece of United States real estate south of the equator. We hope that you will have the chance to see and experience the very essence of our cultural values.

Last year, when American Samoa's minimum wage issue gained Congressional attention because of bipartisan political maneuvering and the speed with which the minimum wage legislation was approved without granting American Samoa time to offer testimony, our Governor dispatched a passionate plea, urging the elimination of the automatic $0.50 annual increase to the Territory of American Samoa's minimum wage, until it reaches the prevailing Federal minimum wage rate. It was our collective belief that this legislation will, without a doubt, trigger an economic tsunami that will absolutely wipe out the Territory of American Samoa's economic system; thereby causing catastrophic social chaos, with sufficient effects, which will clearly be felt by the 50 states of the Union and the Congress of the United States. Legislative resolutions were sent, attempting to clearly state fierce concerns over the effort to legislate the minimum wage without analyzing the capacity of American Samoa's economic system to financially accommodate the annual rise in the Territory's minimum wage. The Legislature is again submitting a Concurrent Resolution opposing the automatic 50 cents addition to American Samoa's minimum wage until the federal minimum is reached.

As leaders and residents of the territory, we want our people to earn more and to have the additional disposal income, to improve their quality of lives. While short time economic benefits will be realized, unfortunately, this short lived Utopian state will be followed by a period of drastic economic devastation. This is not a prognosis. It will be American Samoa's reality. The Governor and the leaders of the Legislature are fighting to ensure and to preserve our people's long-term economic future. For a very long time, and now culminating with the introduction of this legislation, some have held and harbored beliefs that the two tuna fish canneries have done little to advance the Territory of American Samoa's economy. We contend that the two tuna fish canneries have been profitable, otherwise they would have left the Territory. This is the nature of business. No person or company enters business with the intention to lose money. The question that has been asked many times by us, who permanently live in American Samoa, is, if the canneries leave, what is going to happen to the people of American Samoa?

If American Samoa's economic system was sufficiently diversified, the adverse economic impact will not be as destructive, if the canneries were to leave. Unfortu-

nately, the two tuna fish canneries are the only economic game in town. The canneries departure will immediately curtail 29% or 5,000 jobs over night. Within six (6) months, 37% or 6,501 more jobs will be abridged. Within six (6) to twelve (12) months 2,875 or 16.5% of government jobs will be lost. Clearly, substantial amount of purchasing power will no longer be available in the Territory's economy. The economic and social destruction will be pervasive and unrelenting. Some have held the notion that the canneries will never leave American Samoa because there is so much money to be made. This is a very naïve perception and it does not merit any discussion for the mere fact that the economics of the industry continually change, but more adversely against the two canneries located in American Samoa. Wages paid represent one of the major costs of production. The wage rates paid by the two canneries in American Samoa is about five (5) times higher than the other tuna fish processing countries of the world. By this measure alone, the local canneries are already competitively disadvantaged.

The speculation that the canneries will relocate its facilities to other locations where their competitive advantages will improve has long been dreaded by the territory because its economic system is driven by these giant conglomerates. Perspectives on the degree of importance of the canneries on the economy of American Samoa varies depending on the source, however, the common response will always be "critically important". While we all acknowledge the importance of the canneries to the territory's economy, very little financial data is available to quantify this perceived critical relationship with the two tuna fish canning companies.

In recognizing the value of the canneries to the territory, the American Samoa Government has aggressively and vociferously expressed its position against any legislative action which may cause the canneries to relocate facilities elsewhere. The extension of IRS Section 936 for an additional ten (10) years sought last year did not yield any positive response. This federal incentive expired December 31, 2007. The salient thought was the preservation of the canneries' competitive advantage to ensure their continued presence in the Territory. Additional efforts are being explored for the purpose of maintaining the canneries' competitive advantage. The $0.50 annual increase in the minimum wage for American Samoa contradicts the collective efforts of the American Samoa Leaders to preserve economic opportunities for American Samoa.

One might wonder what the canneries are doing to support local efforts. There is no doubt that the canneries are doing everything in their powers to assure their stay in American Samoa. However, it can be safely assumed that astute business management dictates that the canneries have already formulated and implementing their alternative operating strategies the moment the first 50 cents was effective last year. This may appear callous but it is just good business. Del Monte and COS Samoa Packing did not gain conglomerate status by being negligent. Business existence is driven by profits and returns on investments. The current economic climate for the American Samoa canneries and for the industry as a whole is not very conducive. The mercury content proliferation threatens global sales of fish products. Spiraling fuel prices, wage rates, environmental regulations, OSHA regulations, emission control regulations, fishing grounds proximity, loss of federal incentives, and geographical location are some of the delimiting factors to the profitability of the local canneries. It would not be unreasonable to say that the approval of the next $0.50 to the minimum wage will represent the straw that will break the camel's back.

What happens to the 66,500 residents of American Samoa when the minimum wage is increased? This is the question that the leaders are frantically trying to determine. It appears that the American Samoa Government is not prepared nor might fully understand the magnitude of the economic, social, and political devastation that will materialize if the minimum wage is increased by $0.50 increments. In the mid-seventies to the early eighties, when American Samoa suffered an economic recession, a mass exodus of local residents to the United States was evident. This trend will certainly be repeated as soon as the operations of the canneries are downsized or completely closed. The dislocated American Samoan workers will become the social problems for the U.S. mainland cities and states targeted by the American Samoa immigrants.

In the 1899 Washington Convention, the United States gained control of all the eastern islands of the Samoa archipelago from Germany and Great Britain. The United State's interests in American Samoa were compelled by its obvious desire to secure the Pago Pago harbor to accommodate its coaling station. Pago Harbor was also considered to have strategic value as a staging area for troops and to launch military offenses in the Pacific Region. Obviously, these interests have ceased but recently, questions have been raised over the extent of the United States obligations to the people of American Samoa. The United States sought to gain control over

American Samoa because it needed the harbor and the leaders quietly acquiesced. Unlike other insular territories, American Samoa was never annexed by the United States, as a result of war or conquest. In the years 1900 and 1904 the traditional chiefs of the islands of Tutuila, Aunu'u, and Manu'a, by means of executing two separate treaties of cession, freely ceded their islands to the United States of America. The two treaties of cessions still stand as the foundation or basis upon which American Samoa can claim a political relationship with the United States.

The economic, social, and political devastation that will result with the addition of the next 50 cents to the minimum wage levels points to the United States' failure to adequately prepare its protectorate to attain economic, social, and political self-sufficiency and self-reliance: the Federal Government's goal for American Samoa. An argument can be made in favor of the United States for the millions of dollars poured into the territory since 1900. Unfortunately, these millions of dollars came with strong strings attached, thus precluding the allocation of funds to activities that would build the territory's economic system. American Samoa's economic infrastructure system remains ineffective and incapable of supporting any sustained economic development strategy.

The cost and reliability of the air and surface transportation systems undermine efforts to advance American Samoa's economic goals. The steady rise in the overall cost of doing business in the territory precipitated in part by the application of federal rules and regulations discourages investment and further erodes its competitive posture. Ironically, trade treaties executed by the United States to increase its influence with foreign countries represent the very instruments that are destroying the territory's economic development capacity. One thing that the United States Government has successfully accomplished is the transformation of American Samoa into a totally dependent country.

The Legislature of American Samoa attempted to comprehensively quantify, to the maximum extent possible, the economic impact if the canneries were to leave the Territory. Much has been said about the economic, social, and political desolation that will be caused by the departure of the canneries however, quantification of these beliefs has not been thoroughly addressed. The following attempts to place in proper perspective the importance of the canneries to American Samoa and resulting consequences should their presence is abated.

Canneries' Direct Contributions to American Samoa's Economic System

There are two tuna canneries operating in American Samoa, StarKist Samoa (owned by Del Monte Inc.) and Chicken of the Sea (COS) Samoa Packing Company. StarKist Samoa is the largest tuna cannery in the world, processing and canning about 650 tons of tuna per day and employing about 2,600 workers. Samoa Packing's production is about 450 tons per day with about 2,400 employees. Both canneries export their products duty-free to the U.S. market under the U.S. Head note 3(a) tariff incentive scheme for U.S. Insular Areas. The canneries are still receiving preferential tax treatment over income and profits earned in American Samoa under the IRS Section 936 for a few more years.

The two tuna fish canning operations (StarKist and Samoa Packing) represent the only primary industry in American Samoa. Every business in the territory, including the public sector, is dependent on the canneries for their livelihood. The direct financial contributions of these two companies are itemized in the schedule provided below. It is our belief that the figures are understated because they do not include the amount of funds spent to purchase raw fish for production. While current figures are not available, the existing numbers provide some insights to the impact of the canneries on the Territory of American Samoa.

Description of Contributions by the Canneries	Actual 2003	Estimated 2005
No. of Employees	4,664	4,664
Payroll	$ 42,896,320	$ 45,470,099
Public Relations	$ 61,000	$ 100,000
Land Leases	$ 750,000	$ 750,000
Electricity & Water	$ 6,840,000	$ 7,250,400
Butane Gas	$ 706,800	$ 749,208
Fuel	$ 2,960,000	$ 3,137,600
Local Purchases	$ 19,190,000	$ 20,341,400
Educational Contributions	$ 158,000	$ 150,000
Total Tangible Contributions	$ 73,562,120	$ 77,948,707
Multiplier Effect (3)	3	3
Total Direct Tangible Contributions	$ 183,905,300	$ 233,846,122

Source: Actual 2003 Figures Supplied by the Canneries. Year 2005 Figures were estimated based on local economic conditions.

The canneries employ over 33% of the territory's workforce. Together with the American Samoa Government they provide 70% of total jobs and produce a predominantly service oriented private sector, which supplies employment for the remaining 30% of American Samoa's total employed workforce. The canneries individual income taxes contributions provide about $3 million to $5 million annually. Based on the figures itemized in the schedule above, the canneries directly generated economic stimulation valued at approximately $223.8 million in 2005. The extent of the canneries economic reach is very deep in American Samoa's society. The fisherman and the farmer depend on the canneries for their livelihood. Small entrepreneurs owe business existence to the canneries in some form or fashion. Small civic organizations benefit from donations provided by the canneries. The influence of the canneries over the territory's economic and social systems is pervasive and irrefutable. The departure of the canneries will wreak havoc in these two systems.

Canneries' Influence over the Territory's Future Economic Perspective

Since assuming oversight responsibilities over the Territory of American Samoa by the Department of the Interior in 1950, the canneries have been the only two investment success stories. Watch manufacturing, clothing manufacturing, textile manufacturing, corned beef processing, and others have come and gone. The economics were never right for these ventures. The American Samoa Government is aggressively seeking outside investments. But these efforts are being hampered by logistical and operating impairments. Logistical impediments include the cost and frequency of surface transportation to markets for final products and ascertainment of raw materials. Operating hurdles include the high cost of labor, infrastructure, escalating fuel prices, and government red tape. These economic development stumbling blocks have been dwarfed by the existence of incentive schemes such as the IRS Section 936 and the Headnote 3(a). These federal incentive schemes are supplemented by the 10 years of income tax moratorium offered by the American Samoa Government. Unfortunately, some of the federal incentive schemes, which raised American Samoa's competitive advantage, have been neutralized by other national trade agreements executed by the United States with foreign countries. The termination of IRC Section 936 severely undermines American Samoa's economic competitive advantage. The United States has entered into friendly relations agreements with many countries. Most of these countries, including our neighbor to the east, have far superior incentive packages than those offered by American Samoa. The net effect of American Samoa's efforts to entice investment would be zero.

The presence of the canneries provides the stabilizing effect to prospective investors. It is a positive testament to American Samoa being the haven for investors. It supplies investment confidence to the investor from the perspective that high investment yields can be achieved and the investment is secured. It is also an authentication that the Territory of American Samoa has the best investment climate. The American Samoa Government cannot verbally try to instill these characteristics in any literature that it prepares to attract investment. The presence of the canneries in American Samoa for over fifty years is positive evidence and a most effective promotional tool to attract new investments. The departure of the canneries from American Samoa will send a very negative investment message to any prospective investor. Based on the multitude of economic barriers, coupled with lingering ques-

tions on the departure of the canneries, American Samoa's future economic perspectives are very bleak indeed.

The American Samoa Government is aggressively launching its tourism development campaign. The famed Rainmaker Hotel has been gutted with one half of the facility being leased to Dateline Inc. The Tradewinds Hotel that provides 100 luxurious rooms is in place, buttressed by individual owned motels. These efforts will be exercises in futility if the canneries were to depart the territory.

The proposed agricultural development thrust is on maximizing the production of agricultural products to contain imports and to create economic surplus through satisfying the needs of the fishing fleet and the community. The canneries' existence expands the market for vegetables and locally grown produce. Since the inception of the canneries, this market has never been fully satisfied because of the dwindling number of farmers or lack of technical knowledge to successfully raise vegetables on a commercial scale. One of the canneries' products is fishmeal. Much talk ensued in the past on the possible use of fishmeal to make livestock and poultry feed. No actual step was pursued to determine the feasibility of this economic alternative. Late last year a U.S. company engaged in talks with the canneries for the conversion of sludge into bio-diesel. Over the weekend another U.S. Company engaged in discussion with the canneries for the conversion of sludge to high priced protein supplements. These possibilities will no longer be available in the event the canneries depart.

Since the establishment of the canneries, the American Samoa Government struggled to engage in the business of supplying raw fish to the canneries: a feat now achieved by Western Samoan fishermen. The goal of the endeavor is obvious; to capture the money paid by the canneries to foreign fishermen for raw fish. It appears that Samoans can be acclimated to the life of a fisherman as demonstrated by our neighbors to the east. Some of the local residents own fishing vessels facilitating redirection of funds to the local economy. As a parallel development, efforts were energized to seek maximum benefits from miscellaneous fish brought in by the fishing vessels. Some of these initiatives included the introduction of a miscellaneous fish tax. The other initiative that is still being pursued is vacuum packing fish fillets from the miscellaneous fish destined for the United States Market. One local company is in the process of completing its physical plant. The other local company is in the process of completing its physical plant. These potential economic alternatives will disappear with the departure of the canneries from American Samoa.

Canneries' Impact over Surface and Air Transportation Systems

Surface and air transportation links to markets for final products and the obtainment of raw materials is the centerpiece for any economic development strategy. Its cost impacts the feasibility of any economic development project. Surface and air transportation links to the outside are considered to be inadequate: in frequency and freight rates. Despite these claims, American Samoa is fortunate to have the present surface and air transportation systems even with the presently identified deficiencies. This realization stems from the understanding that current economic conditions can only support the level of service being received. Surface and air services depend on economic need. Economic need is defined by profit yields that could be achieved. With the spiraling price of fuel the economic yields are reduced without a comparable rise in rates to reflect the changes in fuel prices. Maximum profit yield is attained when the ship or airplane carries maximum income generated load. Profit margin levels, determined by the break-even point up to the maximum peak of market tolerance, determine the frequency and cost of freight rates. Without the back-haul of canned fish products and fertilizers, the current frequency of trips and the present freight rates to American Samoa, would not be sustained. It is entirely possible that the number of cargo vessel trips to American Samoa could easily be reduced in half with the freight rates soaring beyond economical levels.

The above scenario would further destroy American Samoa's capacity to forge any level of economic development program. Importing raw materials for producing or fabrication in American Samoa would no longer be economically viable. American Samoa's competitive advantage will be annihilated.

Products imported to sustain the resident's livelihood will become cost prohibited, thus causing more families to live in poverty. It has been estimated that over 95% of American Samoa's consumables are imported, thus causing absolute reliance on air and surface transportation. It is the lifeblood of American Samoa's economic system. Without it American Samoa will experience social and economic devastation. Transportation costs affect the financial ability of every resident and it will cause some to live in poverty. This state of affairs can exacerbate the already strained financial abilities of many residents to meet the rising cost of living.

Canneries' Impact over the Territory's Infrastructure System

Air and surface transportation system, which is one of the vital components of the economic infrastructure system, is covered in the above discussion. It is stated therein that the impact of air and surface transportation link with the outside is pervasive because it affects every life on the island. The same scenario applies to the production of electricity, water, wastewater, solid waste, roads, ports, airports, education, health, public safety, and communication. The presence of the canneries on island has helped reduce the rates charged for the present infrastructure system. To illustrate the point, electricity will be discussed to highlight the impact of the canneries over the rates charged by the American Samoa Power Authority. The figures provided in the schedule show the distribution of electricity payers.

MONTHLY BILLING RANGE	NUMBER OF CUSTOMERS*	% of Total RESIDENTIAL CUSTOMERS
Less THAN $50	**4,353**	**48%**
$ 50-$100	**2,399**	**27%**
$101-$150	975	11%
$151-$200	509	6%
$201-$350	534	6%
$351-$450	127	1%
$451-$600	88	1%
$601-$1,000	50	1%
Over $1,001	17	0.20%

Of the total 9,052 customers, 75% or 6,752 pay less than $100 of electricity on a monthly basis. Total revenue generation for the American Samoa Power Authority for the first two layers of customers would be $ 332,280 ($152,355 + $179,925) monthly or $3,987,360 yearly. The American Samoa Power Authority reported net sales for electricity of $34,203,204 for Fiscal Year 2004. Compared to the $3,987,360 of revenues generated from 75% of residential customers, it only represents 11.7% of ASPA's total revenues. The total cost of electrical production is 92.7% of sales. It is quite clear from this discussion that the people of American Samoa would have had to shoulder the burden of higher electricity rates if the canneries were not customers. The American Samoa Power Authority is able to attain an electrical production system with the proper built-in economies of scale because it has a more expansive clientele base that is supported by the two canneries.

The departure of the canneries from the territory creates a consumption void, which will have to be met by increased rates, and reduced production. Both actions increase the cost of electricity. The same reasoning can be applied to the other elements of American Samoa's infrastructure system.

Canneries' Impact on Fuel Imports

Fishing vessels offloading raw fish to support the canneries' operations purchase fuel in addition to the procurement of supplies for the next fishing trip. High volume of fuel consumption establishes an economic need for the local fuel suppliers to increase the frequency of tankers bringing in fuel. The fuel needs of the canneries, the fishing vessels, the government and the private sector have supported the present frequency and volume of fuel being imported in the Territory. The Government receives revenues estimated in the amount of $5,196,800 annually through the application of an excise tax rate of $0.1792 per gallon of imported fuel. Like any other world commodity the price is influenced by the purchased volume. The fuel needs of the canneries, coupled with the support fishing fleet, help the territory with the price at which its fuel is purchased from Singapore. If the canneries' and fishing fleet's fuel consumption is factored out, the frequency of tankers bringing fuel to the territory will be noticeably reduced and the price will rise. The stability of American Samoa will be placed in a very delicate balance because electricity rates will rise, air fares will climb, gas prices will spiral out of control, the cost of riding the bus or a taxi ascends, and the general cost of living will rise to levels that would force more residents of American Samoa to live in poverty. Further, the economic development process for American Samoa will be severely stifled. The land transportation industry will be summarily contracted, as some bus and taxi owners will find the level of profit margin too confining to make the effort economically viable. The same could be said about the small local fresh fish industry. The cost of fuel may render their operations unprofitable because the cost of imported fish would be cheaper.

Canneries' Impact on the Private Sector

The pervasive impact the canneries have on every facet of life in the Territory of American Samoa should now be more evident. The all-encompassing influence of the canneries on air and surface transportation, basic infrastructure, and fuel imports, and direct financial infusion into the territory's economic system automatically affect every business that makes up the private sector. The private sector is supported by the $233,486,122 million (2005 estimate) that the canneries inject annually into the economy. The canneries indirectly support every mom and pop store in all the villages, thus discounting the effect on the cost of key economic elements and directly supported by cannery workers who buy goods from their stores.

The Ronald Reagan Marine Railway ship repair yard predominantly depends on the fishing vessels supplying raw fish to the canneries for its survival. There is insufficient government or private work to sustain this facility. Consequently, if the canneries move, the fishing fleet will move with it and the demise of the Ronald Reagan Shipyard is abundantly evident. Closure of this facility will alter negatively the status of the government's revenue portfolio.

Independent machine shops have been established strictly to address the needs of the fishing vessels and the canneries. Like the Ronald Reagan Repair Shipyard, without this market, their continued survival is curtailed. The government is also the looser as tax revenues will be lost when these operations are closed.

The construction industry is sustained by the canneries through its capital improvement projects that are implemented annually. These projects do not include small and mid-size repair work that it executes intermittently. These construction projects trigger increased sales in the building material outlets. The potential for increased revenues for the government through higher taxes is enhanced.

The wholesale and retail industry is directly supported by the canneries through the payment of $45.7 million (2005 estimate) in payroll. The 4,664 employees of the canneries spend their wages to purchase food, clothing, cleaning supplies, toiletries, and other basic necessities of life from the wholesale and retail industry. The canneries' payroll yields about $3 million to $5 million in individual income tax revenues to the American Samoa Government.

The service industry exists because of opportunities created by the affluent sector of the population driven by the desire to purchase convenience, security, and social amenities. For example, people are more apt to dine out in restaurants than eating at home. The number of residents earning $50,000 and more is rising at the rate of 12.2% annually. The management workers of the canneries are among those who fall within this salary threshold. At the lower end of the scale, the cannery workers use their income to purchase traditional basic foods and fresh fish from the market or along the roadside.

The impact of the canneries over the petroleum companies doing business in American Samoa is already documented in the earlier section. This influence is significant and very controlling. American Samoa has already experienced the impact of fuel shortages and its harmful consequences are instantly felt in the people's lives.

Canneries' Impact over the American Samoa Government

Throughout this discussion the canneries' direct financial contributions to the American Samoa Government have been identified and documented. Through their respective payrolls approximately $3 to $5 million worth of individual income taxes are paid to the American Samoa Government. Their existence allows the American Samoa Government to achieve proper economies of scales for its utility operations in addition to direct financial contribution ($7,250,400) through the payment of utility charges and fees. Fuel imports, transportation systems, economic stimulation, internal land transportation system, and others have been positively impacted by the presence of the canneries and certainly aiding the efforts of the government to forge a sustained economic development program.

The moment the canneries depart, the American Samoa Government will face an unemployment rate of at least 70%. At an average salary of $15,935 for both the private and public sector, total amount of income taken out of the economy is approximately $156,000,000 or 9,800 jobs lost. The wholesale and retail outlets will be left with large unsold inventory, which will force business closure for many. Restaurants, fast food operations, service station owners, beauty salons, clothing outlets, bus owners, taxi owners, local airline owners, and other business activities will face bankruptcies. The local banks have revealed that the majority of American Samoa's population is in debt. Abrupt termination of employment opportunities precipitated by the closure of the canneries will severely impact the commercial banks loan portfolios. The federal government will have to bear the financial burden of losses incurred by the financial institutions. The American Samoa Government will

have to bailout the American Samoa Development Bank for all defaulted home and business loans. With the loss of the canneries, the American Samoa Government will not have the financial capacity to reimburse the American Samoa Development Bank for its losses.

The canneries' impact on the government's ability to advance its economic development goals has been addressed in the earlier section. The departure of the canneries is the net result of the shrinking impact of federal incentive schemes that were available to improve economic viability. For American Samoa, the departure of the canneries invariably destroys any government capacity to push its economic, social, and political goals.

Will the Canneries Leave if the Minimum Wage is Incrementally Increased?

The economic advantages supporting the existence of the canneries in American Samoa include duty-free entry of canned tuna into the U.S. market, soon to lapse IRC Section 936, local government ten (10) years of tax moratorium, proximity to fishing grounds, direct delivery of raw tuna from U.S. and foreign fishing fleets, relatively cheaper wage rates than other United States insular possessions, the absence of risk from being nationalized, and the threat from foreign currency fluctuations.

The disadvantages to the canneries attributed to being located in American Samoa include but are not limited to the delimiting impact of federal regulations, vast distances to the markets for canned tuna products, high infrastructure cost, continued neutralization of the Headnote 3(a) tariff scheme benefits, and very stiff competition from the canned tuna processing operations located in South East Asia, Europe, South Africa, Andean countries, and Caribbean countries. The prevailing minimum wage rates in American Samoa far exceed those paid by the canneries' competitors.

While the United States advances its national policy of seamless trade barriers, its insular possessions like American Samoa, are desperately fighting for their economic, social, and political survival, made possible only through the granting of special trade protection for the only industry that props its economic system. The U.S. tariffs for tuna imports from Mexico, Costa Rica and the Dominican Republic under the North American Free Trade Act (NAFTA) and the Caribbean Basin Trade Partnership Act are being phased down to zero by the end 2007. Similarly countries like Samoa under the Generalized System of Preferences, and Ghana, Mauritius, Seychelles, Namibia and South Africa under the African Growth and Opportunity Act presently enjoy duty-free status for canned tuna imports into in the U.S. market. Congress approved the Andean treaty providing preferential treatment of canned tuna processed nearby South American countries including Ecuador, Columbia, Bolivia and Peru. It is increasingly difficult for the canneries to remain competitive with low-cost foreign tuna processors. The advantages of duty-free entry of American Samoa canneries' tuna products into the U.S. is vitally important in helping offset the increasing competition from low-cost processors, i.e. Thailand, Indonesia, the Philippines, Mexico, Ecuador, etc. Despite the significant additional cost of U.S. duty, foreign imports of canned tuna and frozen loins have grown from less than 30% to over 53% of the total canned tuna sold in the U.S. in the last 12 years. Even greater competition and market penetration by foreign imports will likely result from new tariff concessions being granted by the U.S. to these and other countries with low-cost tuna processors.

Duty-free status and tariff phase down for these countries will severely erode American Samoa canneries' competitiveness and improves the advantage of much lower cost structures aided by much lower wages. The savings to the canneries due to U.S. tariffs waiver were estimated to be $66.6 million dollars in 1999. Obviously, the American Samoa canneries will be severely hard pressed to recoup this huge loss of cost advantage and still be able to compete with now duty-free, low cost tuna processors. The $66.6 million lost in government revenues dwarfs the value of the canneries' contributions to the American Samoa economic system.

Another comparative disadvantage for the American Samoa canneries, compared to the low cost foreign tuna processors, is the requirement that virtually all of supplies required for production must be shipped in from afar. Cartons, cans and ends, labels, vegetable oil, pallets, equipment and machinery, etc. must be logistically scheduled and shipped in at substantial additional cost. This is not the case in Thailand, Ecuador and other low cost foreign processor countries where most of the supplies are provided in-country or delivered from nearby, less costly sources. Being on major shipping routes, these countries also have the advantage of lower shipping costs to the U.S. and other markets.

Such national trade agreements such as those listed earlier are examples of actions taken by the Federal Government without regard to reciprocal social and eco-

nomic damages inflicted on American Samoa. These trade instruments erode the competitive advantage of American Samoa's canneries. The other forces continuing to be at place include the fishing grounds that are now closer to these other tuna fish canning locales; adding to the deteriorating competitive ability of the canneries.

Every two years the United States Department of Labor convenes a Minimum Wage Industry Committee to review the minimum wages for American Samoa. It is the mandate of the Department of labor to raise American Samoa's minimum wage as expeditiously as possible to the U.S. minimum wage, which is exceeding $6 per hour. American Samoa imports its fuel from Singapore. The tuna canning operations located in South East Asia does not pay the same amount of freight rates for their fuel. Shipping to these areas is more frequent and more reliable based on the amount of cargo entering and leaving these canned tuna fish producing Asian countries. The canneries are subjected to any new environmental regulations, which at times have artificially raised operating costs to the installation of new equipment to reduce physical and airborne contaminants. These federal regulations are not enforceable in the independent countries with canned tuna fish productions facilities. The elasticity of demand for tuna fish products in the United States is very sensitive and the rising concern for mercury content in the fish threatens to global market for fish products and could shift consumption patterns to meat and fowl products.

As summarized earlier, the canneries represent American Samoa's sole primary industry. The canneries and the American Samoa Government are the basic sectors of the Territory's economy. Although there is limited and underdeveloped potential for tourism, garment assembly and limited light industry, import-substituting agriculture and fisheries, the economic well being of American Samoa is intrinsically dependent on the canneries. The canneries generate a minimum of $100 million in personal income if the multiplier effect is 3. It is unlikely therefore, that the limited opportunities for economic diversification either singularly or collectively will have the capacity to replicate the canneries economic significance to the Territory in the foreseeable future.

An area of immediate and significant prospect is the development of local albacore fisheries to supply the canneries and local demand. Due to limited worldwide supply, both canneries are increasingly relying on the increasing amount of albacore tuna that is being supplied mostly from (Western) Samoa. Samoa Packing alone purchased almost $7.0 million of albacore from American and (Western) Samoan fishing interests in 2000 and look to purchase much more as can be supplied. Although both canneries frequently work with both local and Samoa fishermen to advise and train on maintaining acceptable fish handling, icing and quality standards, fishermen in (Western) Samoa deliver the great majority of albacore supply due largely to the (Western) Samoan Government's program to encourage and develop this important export industry. Similarly, ASG should target these fisheries for development by local fishermen including, the provision of soft-term financing and technical assistance.

Businesses exist primarily to realize a predetermined rate of return on investment. Companies do have a social conscience but it is limited to the amount that exceeds the predetermined rate of return on investment. The canneries have demonstrated their community mindedness over the years and there is a genuine interest to remain in American Samoa in perpetuity.

The question that is being asked is "will the canneries leave the territory if the propose minimum wage hike is approved"?

We contend that the canneries will, within five years from the imposition of the first $0.50 minimum wage hikes, have fully transplanted their operations in more economically conducive locales or fully convert local operations to loining. This is understandable as this represents a sound business decision. The rise in the minimum wage will significantly alter the rate of return on investment. An argument will be made, stating that the canneries cannot afford to close operation because of their existing investments. It is a logical argument however conglomerates such as the two canneries forecast and project income earnings far into the future. If the projected rate of return is not possible due to an uncontrollable factor, an economically feasible decision might be to cut loses by curtailing the present operation, irrespective of the amount of investment already made.

This type of decision-making has already been demonstrated by one of the canneries. For example, an investment of approximately $10 to $15 million was implemented culminating with an operational can manufacturing plant. This can plant did not produce one can before it was closed down. Based on this demonstrated decision mode practiced by these huge companies, it supports firmly the contention that the canneries will not hesitate to close shop if the economics are no longer favorable, measured by the achievement of predetermined rate of return on investment.

As much as American Samoa will do everything at its disposal to keep the canneries from relocating their facilities, externally imposed decisions as the legislated minimum wage increase for American Samoa, will transform the operations of the canneries in American Samoa. The resulting mutation will certainly not be in the favor of the people of American Samoa.

Mass out migration will be observed as residents seek their future elsewhere in the United States. The United States will bear the consequences of its actions as the Samoan immigrants seeking enrollment on welfare programs. Samoans who cannot make the adjustment to life in the United States will end up in over populated correctional facilities straining limited financial resources of law enforcement system. Children leaving the territory for educational advancement will become major deterrents to the public education system of the state chosen to be their new home. American Samoans who have poor health will relocate to the States to facilitate ready access to healthcare services. These immigrants do not have insurance or the financial wherewithal to defray their healthcare costs. Most likely, these immigrants will be on welfare seeking qualification under the State's Medicaid programs. American Samoa's technically skilled human resources will be among the immigrants seeking new lives in the United States. While they may be welcomed overseas and may be able to transition seamlessly into the workforce, their departure leaves a great void in the human resource capacity of American Samoa to spearhead its recovery programs.

Air and surface transportation will be scaled back to the 1960 era. Lack of income to purchase food and other necessities of life reduces the amount of inventory kept by businesses and thus reduce the frequency of cargo vessels calling into Pago Pago. With the absence of backhaul cargo, the fright rates charges will be much higher thus raising the cost of goods beyond the economic capacity of many of the remaining residents of American Samoa. Air transportation will also experience drastic cutback, because the residents lack the finances to pay the airfare to visit the United States. Conversely, lack of tourism development will negate the need to travel to American Samoa. Consequently, the airline will find it economically infeasible to make frequent trips to American Samoa.

We were utterly demoralized and filled with questions over the equity of the decision to raise the minimum wage for American Samoa without being afforded the opportunity to submit testimony hoping to sway the execution of such a devastating decision on our economic system. We wondered why this same type of opportunity was not accorded when merits of raising the minimum wage were being deliberated on last year. We are afraid that it takes much more effort to undo something that is already in the books irrespective of the prevailing adverse impacts. This opportunity is acknowledged with much gratitude. At least it gives us a sense of control over our own destiny even though this is just a dream or an illusion.

Let me say without equivocation that no one opposes the raising of the minimum wage if the prevailing economic system can support the increase. It should be made crystal clear that the government, canneries, and the private sector do provide wage and salary increases periodically to their employees based on the economic carrying capacity of their respective operations. It is also important to note that the United States' prevailing minimum wage is the refection of its economic capacity. It defies economic logic, therefore, to force the application of the Federal minimum wage level in American Samoa when the latter's economy is infinitesimally small compared to the most robust and biggest economic system in the world. Sufficient documented evidence exists to validate American Samoa's fear that huge employment curtailment will materialize when the federal minimum wage is imposed.

In spite of our desperate attempt last year, and every two years the United States Department of Labor minimum wage hearings are conducted, to bring attention to the economic devastation that will result if the canneries leave or reduce its presence in American Samoa because of its reduced competitive advantage in the global market, Congress went ahead and approved the measure anyway. Instead of the regular two year review, we are once again frantically struggling to bring attention to the fact that what we have been saying all along is becoming our current realities. The U.S. Department of Labor Report will probably state that no evidence of employment curtailment is noted although we were not privy to a copy. We will presume that the McPhee Report, since the Legislature was not afforded a copy, will state the opposite view point and in support of the concerns vocalized and documented last year and every year the U.S. Department of Labor minimum wage hearings are held. Every Industry Committee, commissioned by the U.S. Department of Labor to review the minimum wage, incorporated in their recommendations the suggestion to grant American Samoa the authority to determine its own minimum wage based on the prevailing economy. Nothing eventuated.

Madame Chairwoman Christensen, we are beginning to have grave doubts if this is not another exercise in futility because the same passionate pleas made last year did not change the outcome. Please know how appreciative we are, and we are sure, all of us present here today, that you made this arduous journey, demonstrating your genuine concern for our welfare. But we also knew that our fate was sealed last year because our minimum wage became a national issue that triggered bipartisan politics. Even the last minute intervention by our very influential patriarchs, Honorable Senator Dan Inouye, Senator Daniel Akaka and their Senate colleagues did not alter our fate. What dynamics have changed in our Nation's Capital to give us hope that our plea for suspension of the imposition of the next 50 cents hike to our minimum wage will be averted?

The dynamics here in American Samoa have changed for the worst. The Chamber of Commerce will testify that business activities are on the decline. The Executive Agencies of the American Samoa Government will testify that employment curtailment will eventuate if the canneries relocate their facilities or alter the configuration of their operations, opting for mechanization to reduce the financial impact of continually increasing minimum wages on their profitability and expected return on investments. It is my hope that the canneries will testify to give you first hand information on their plans to cope with the imposition of legislated periodic escalating minimum wage levels until the federal minimum is reached. The canneries have been silent except for the encouraging announcement by Del Monte Star Kist Samoa that it will proceed with the production of tuna pouch. This welcome news is underscored by information to the effect that it is a scaled down version of its original plans. We have not received information on the canneries plans regarding operational conversion to fish loins. This operating configuration will drastically reduce the canneries' workforce. The imposition of the next 50 cents could very well confirm the conversion decision.

The Legislature depends on the Executive Agencies of the American Samoa Government, the canneries, and the private sector to supply empirical data to support our claim for economic devastation perpetrated by the rise in our minimum wages. We can only provide anecdotal information based on statements received from the community by the Legislators decrying their current status. The common cry heard from the people who visited their Senators and Representatives is that daily living challenges are becoming difficult to accommodate. This disclosure is confirmed by the increased frequency with which financial assistance is being solicited from us Legislators. Moreover, we are witnessing the emergence of small privately owned loan businesses competing with the commercial banks for small short-term loans. We have observed the rise in the number of family based businesses selling food plates and other food items of traditional appeal to make ends meet. The number of individuals seen selling flower leis and other products is on the rise. Unfortunately, the continually spiraling energy prices has exacerbated the situation and forced the redistribution of disposal income away from the purchase of life sustaining goods.

We firmly believe that the minimum wage is just one of the factors that triggered the economic downturn for American Samoa. Our failure to secure replacement incentives for the demised IRC Section 936 forced the canneries to reassess its continued presence in the Territory which reflected in the volume and value of its imports into American Samoa in 2006. The minimum wage however, reaffirmed whatever strategies formulated by the canneries relative to its presence in American Samoa. Bilateral agreements entered into with other tuna producing countries reduced the inherent competitive advantage American Samoa used to have which gave economic reason to the canneries to remain on island.

Let us provide for your information government revenues generated from the imposition of excise taxes on imports. In Fiscal Year 2004 total revenue collections was $24,632,820; Fiscal Year 2005 total revenue collections was $23,740,032; Fiscal Year 2006 total revenue collections was $22,457,085; and finally in Fiscal Year 2007 total revenue collections was $20,738,343. Between Fiscal Years 2004 and 2007, total revenue collections from excise taxes plummeted by 18.8% or 4.7% annually. The above figures are from the reports prepared by our Department of Treasury. There has been a steady decline in the total revenues collected from excise taxes meaning that consumption, reflected by imports, has methodically declined over the period of four years. This information should provide proof that American Samoa's economy is worsening and it will not stand the adverse impact of adding an additional 50 cents to the Territory's minimum wage. It also supports the claim from the private sector that business activity is declining.

You will hear testimonies from some of our people stating that the additional $50 cents will go far in making their lives more tolerable. We do hear their plea for help however we are more concerned about their long-term survival because if the addi-

tional 50 cents forces the mass curtailment of jobs, he or she might end up, without a job totally; then they will be worst off than their current predicament. Artificially raising the minimum wage without the economy to absorb its impact is morally irresponsible.

We know what needs to be done to alter our current economic dilemma. However, it takes the support and commitment of the Congress to assist us put to work strategies to bolster economic growth. We need federal incentive schemes to entice investment into the territory. We need special treatment under the cabotage rule because of our remoteness and the associated cost to travel to American Samoa; factors which retard our ability to advance our tourism industry. We need federal agencies to amend their program policies creating impediments or preempting full application of their programs in American Samoa. We need a venture capital pool to be made available through loans to American Samoans so they can participate fully and become beneficiaries of their our country's economic development successes.

The preponderance of the evidence against the imposition of the next 50 cents to the minimum wage is overwhelming. This sentiment is also reflected in the legislation being proposed by our Congressman Faleomavaega to abort the minimum wage escalation clause and to base future minimum wage adjustments on the capacity of our economic system. In conclusion, we want to extend once again my thanks to you and your committee for this opportunity to share with you our aspirations. We hope you will remember us with fond memories when you return back to our nation's capital. We also take this chance to thank our Congressman Faleomavaega for the introduction of legislation to abate this nemesis. May the good Lord keep you safe as you attend to the business of our people.

Lolo M. Moliga	Savali Talavou Ale
President of the Senate	Speaker of the House of Representatives

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Mrs. CHRISTENSEN. Thank you, Lolo.

I understand Mr. Eliu Paopao, Director of the Department of Commerce, is here, and we would like to invite him to sit at this panel to answer any questions that may arise or that the Lieutenant Governor might want him to answer.

As I said earlier, I am recognizing myself for my 5 minutes of questions, and I just wanted to say what I said this morning when I met with the Senators and the House Members that your situation here reminds me in many ways of what I face in the Virgin Islands and what we faced over the years. Anytime we propose any new increased fees or rates, we meet with resistance. And I can give one with the cruise ship industry—they threaten not to come if you raise the passenger fee. Or our oil refinery threatened to move when we were also renegotiating their contract with the Virgin Islands and increase fees. So I came out of a similar experience, and I said that at the time—the oil refinery and the cruise ships, you know, maybe we increased it—one case cruise ships—but sometimes these are just ways of pressuring communities. And so I don't take I understand your concern and major concerns that you would have because you cannot afford to lose the jobs of the community. But I think it is really important that we make decisions based on data and facts and not just the word of industry sometimes. But trust me, I understand the pressure that the community is under and the need for you and a fragile economy like this to ensure that jobs stay here.

And I heard very clearly the concerns from the Members of the House and Senate this morning. I would ask both the Lieutenant Governor and the Senate President, you heard the testimony on behalf of the Department of the Interior. Are you encouraged that the current Administration recommended that Congress give strong

consideration to limiting the increase in the minimum wage? Does that give you some encouragement?

Mr. MOLIGA. It is very encouraging. The next time we went to Washington and asked the Department of the Interior about the approach that they are taking. It seemed like they were not in any position to support this effort. And then we understood why—because the Administration's global views on this issue are why they didn't issue an opinion at the time. But I would like to make one thing clear. The fact you know we are putting out statements in regards to the minimum wage. As leaders of this island, we are not opposing the raise in minimum wage. What we are asking is that any raise should be based on our own economic conditions here in American Samoa instead of forcing us to follow the $7.25 that the Federal government is requiring. That is why we tend to support the previous approach where the Department of Labor sends out an Industry Committee to review which field is more realistic and honest in terms of what the increase should be instead of us riding along with the Federal government which we cannot afford.

But, by all means, if the Federal government will give us the money, we'll accept any raise of any kind. But it is nice to hear that the wages are recommending to be increased but the problem we don't have the resources to do that. And that is with the Governor to add to the President at this time. It is different.

Mrs. CHRISTENSEN. It is my time. You are free to answer.

Lt. Governor SUNIA. I sense there is also concern in the Department of the Interior that they may end up at the end of the day being the one to ask if we are responsible to make up you know any deficiencies that are caused by this law, and it is not in their budget and they are going to have to look to Congress to give them the money to give to us to make this up. I guess the same thing the President is saying. I don't—from talking to some of the officials up there—the message, I gather, that it is all nice but then resources we can help the territory accommodate your desire in Congress.

Mrs. CHRISTENSEN. Well, there are times when the Office of Insular Affairs and the Department of Labor does not take that position. At least in this case, they've taken a position based on the labor report that would go against having that increase in May. We just need to ascertain that they are also going to support us when we move forward with the legislation that your Congressman introduced. We'll go back, and we'll be meeting with them on Tuesday, as a matter of fact, so we'll ascertain that. But I think that should be some encouragement that they take.

I now recognize Mr. Faleomavaega.

Mr. FALEOMAVAEGA. Madam Chair, if I may, I would also like to ask Director of the Department of Commerce to make a comment or maybe has a statement he may want to submit to make part of the record?

Mrs. CHRISTENSEN. Any objection?

STATEMENT OF ELIU PAOPAO, DIRECTOR, AMERICAN SAMOA DEPARTMENT OF COMMERCE

Mr. PAOPAO. Thank you very much, Congressman Faleomavaega, and good afternoon Honorable Madam Chair Christensen and the Honorable Members of the Committee on Natural Resources and Insular Affairs. I have submitted the entire full text on my testimony to the committee, and I am also prepared to summarize that testimony for the benefit of time. And then I will submit a copy of it after the hearing this afternoon. And at this time I would like on behalf of the Government of American Samoa, I would like to say thank you very much for giving me the opportunity to offer this statement and highlight some of the essential points regarding the anticipated effects of Public Law 110-28 on American Samoa's economy.

The recent new Department of Labor study incorporated and estimates economic effect of cannery closure from a final report of our own which is due to be released at the end of this month. While the Department of Labor report made no recommendation, it did describe in quite shocking terms what the continuation of the minimum wage increase would lead to in American Samoa. I suggest the following summary of the Department of Labor findings the long and short of which are that continuation escalation of minimum wage in American Samoa could eventually lead to economic disaster for American Samoa. First the canneries are the largest private sectors in American Samoa, and today majority of the cannery workers earn the minimum wage.

Second, the loss of the canneries would mean the loss of one half of American Samoa's total job force. Third, the American Samoa Government will suffer greatly which means that paying the minimum wage increases may force American Samoa Government to make difficult choices between reducing government payrolls, reduce available hours of paid work week, raising taxes, or cutting non-wage expenditures.

Fourth, the rest of the American Samoa private sector based on our research will not be able to absorb the full minimum wage increases. Raising the average hourly wage by merely $2.00 per hour for the 10,000 covered workers would result in a wage field increase of $40 million per year across all American Samoa interest sectors. Fifth, minimum wage increases would lead to the closing of both canneries in American Samoa, and this will allow them to move away from American Samoa to other areas where labor costs is low.

Madam Chair and Members of the Committee, these are staggering findings but they are numbers. The human impact over several periods could be devastated and let me try to visualize for you what this could mean in human terms. First, we could be faced with a long period of economic and social dislocation. It is not easy to behold the loss of one half of a community's jobs. There is a strong possibility that the economy's distress could remain very high in American Samoa for many years in the form of very high rate of unemployment, business closures, or cutbacks, or declines in local ASG revenues. This condition could have a variety of adverse effects to the community: (a) increased family and social distress which sometimes translate into criminal behavior including

domestic violence; b) declining economic opportunities for those entering the workforce; c) declining local revenue for health, education, and general public welfare as well as investments in capital projects and maintenance; d) raising economic dependency on the Federal government; e) fuel resources to preserve Samoa culture and the physical environment.

Second, American Samoa is still in the early stages of the development compared with the United States. Our income is per capita only one-fifth of the United States average. The average American Samoan makes $1 for every $5 made by the average U.S. citizen. In fact, American Samoa has the lowest per capita income in the entire United States system.

Third, we must also consider how conditions came to this and made to do the work the economic impact allows us, which we share with the Department of Labor. This study will deal with other economic recovery matters which can be recommended if canneries depart.

The last one is we will recommend that a formal Federal low territory economic development be established. This is essential in view of the massive influence of the Federal government of American Samoa economic development. This has been recommended over the years by the United States General Accountability Office, the American Samoa Economic Advisory Commission and others. As it now stands, we have been fighting for our economic lives to head off future automatic minimum wage increases that might have been avoided with a form of territory cooperation we recommended. Furthermore, in my testimony to the Committee, which has the report, I have provided three sets of tables which will assist the Committee in your deliberations on the impact of the continued escalation clause of the minimum wage increase that will eventually lead to economic disaster in American Samoa.

Thank you again for the opportunity to speak before you this afternoon.

Mr. FALEOMAVAEGA. I want to thank you, Director Paopao, for his informative statement, and I do want to thank you Lieutenant Governor and Senate President for substantial testimonies. I do have a couple of questions, Madam Chair.

Would all three of you gentlemen agree that one of the biggest problems of trying to figure out exactly what is the economic status of our territory is the fact that we don't have sufficient data and information to make such proper conclusions. In terms of exactly what our economic status is, that seems to be the result of the report of the Department of Labor? Even they were not able to obtain or get proper data and information to even make a more specific assessment on the minimum wage issue. Although, in a very broad sense, they say it will have a negative impact on our economy, but I just wanted to ask you gentlemen if you agree that we really are lacking real hard nose facts and information to do this.

Lieutenant Governor?

Lt. Governor SUNIA. With all due respect, I think that is a cop-out. They started out knowing—with all those smart people that were selected, they should have known the status of the type of data and information that we have. They alluded to two main things why they couldn't do the study. One, they didn't have

enough time; and second, there was no data. Well, they started out knowing that they are not going to have the data to arrive at some scientific solution. But there is data. There is data all around. All they needed to do was come down here and ask the right people and ask the right questions and have their data. Why is that a big deal?

Mr. FALEOMAVAEGA. I was going to reserve this question for our management at the canneries but maybe I will ask it. Were there ever any layoffs at the canneries since we implemented this first 50-cent increase on the wages? Maybe Mr. Director of Commerce?

Mr. PAOPAO. Thank you Congressman. I don't think there was any layoff on the first 50-cent raise, but we do agree on the data that we would like submitted with our report on the second 50 cents. That is, we can see problems there and on the tables that were submitted based on data available—like what the Lieutenant Governor has alluded to or said about the availability of data—the Legislature of American Samoa passed the ANIVA Act, which is national income part and the Department of Manpower Resources are putting together all the data in regard to American Samoa. And we know for sure that those data are available with us and that is how we develop some of the tables that we have in our report and my testimony that are available for the Committee to look into it.

Mr. FALEOMAVAEGA. I am going to wait for the second round, Madam Chair. Thank you, Mr. Paopao.

Mr. MOLIGA. On the issue of the economic study commission, that was the understanding that we have. This was a DOI initiative. That is why they put up $600,000 to conduct this.

Mr. FALEOMAVAEGA. $600,000?

Mr. MOLIGA. Right and it was our understanding looking for the report that the commission should submit an official report to the Department of the Interior, whereas the Interior would direct American Samoa on the utilization of this report as a basis for our economic plan. But as far as we know, there was no official report submitted to DOI as well as to the American Samoa Government. A couple of years ago, we were looking for the report and for the Legislature to review it, and that was our finding. There was no official report. They have bits and pieces of the report everywhere but as far as any official report to the Department of the Interior, which forks out the $600,000, we have never seen that report as far as I know.

Mr. FALEOMAVAEGA. Madam Chair, may I just follow up with the statement that the president made?

Is it your understanding that the Department of the Interior or the Secretary of the Interior should then direct the Government of American Samoa to review the contents of this commission report and then come back? Is that your understanding of the procedure?

Mr. MOLIGA. The procedure this is what I am talking about. It was their initiative. It was DOI, and it was our understanding that the report would go right back to the Department of the Interior not the Government of American Samoa and from there DOI will submit that report to the government and Legislature for our review and recommendation.

Mr. FALEOMAVAEGA. So you would suggest that it should go back to Mr. Nikolao Pula working through the channels of the Department of the Interior and eventually have the Secretary of the Interior follow up with this economic study commission and

Mr. MOLIGA. That is our understanding and then the Governor of American Samoa and the Legislature can use that to form an economic policy for the government as you wish.

Mrs. CHRISTENSEN. Thank you. I do have just a few more questions.

The Department of Labor report has been referred to a number of times, and it is the basis for the Department of the Interior's position it seems. Did the Department of Labor consult with either you Lieutenant Governor or you President Lolo? Did they consult? Did they interview you as part of the preparation for issuing this report?

Lt. Governor SUNIA. Madam Chair, are you referring to the committee appointed in the bill?

Mrs. CHRISTENSEN. The U.S. Department of Labor report in January on the impact of the minimum wage and the proposed potential impact. Did someone from the Department of Labor interview you Lieutenant Governor or the President of the Senate?

Lt. Governor SUNIA. No, madam. They didn't talk to me and I don't know.

Mrs. CHRISTENSEN. Are you aware of their speaking to anyone in American Samoa in preparation for their report?

Lt. Governor SUNIA. Not only am I not aware if they talked to anyone in American Samoa, I am not even aware if they even came to American Samoa.

Mrs. CHRISTENSEN. Thank you. We've talked a lot about the impact of the increase of the minimum wage on the cannery industry. What about the impact on—I am asking this question to Lieutenant Governor Sunia—government. Has there been a noticeable impact on the government with the 50-cent increase that has gone into effect?

Lt. Governor SUNIA. Financially, Chair, you can follow up. It is in our statement. The money impact—the encumbrance—is that the impact you are—the impact on the government financially?

Mrs. CHRISTENSEN. What has transpired with the 50 cents that has already been enacted, if you have seen any adverse impact, on the operations of the government? Have you had to lay off anyone?

Lt. Governor SUNIA. Not to that extent. Not to the extent that we have to deal with the workforce or lower hours or reduce the workforce. But we did have to absorb a bit of the payroll by taking a little bit from other categories.

Mrs. CHRISTENSEN. So you did have to do some cutting in some other areas to be able to meet the cost of salaries of the employees?

Lt. Governor SUNIA. That is correct, Madam Chair.

Mrs. CHRISTENSEN. Legislature have any noticeable impact?

Mr. MOLIGA. No that I know. We are OK.

Lt. Governor SUNIA. They have a larger budget than we have.

Mrs. CHRISTENSEN. The other area that has been referred to a number of times has been relied on in the past for the increase of wages in setting increases in the minimum wage and which has been recommended as a possible way to address it in the future,

this Special Industry Committee. Given the fact that wages have been stagnant under—while we've been utilizing the Special Industry Committees, do you still believe that there is an effective way of balancing needs of providing workers with higher wages and the fragile nature of the American Samoa economy? Do you believe that process can still work and whether you do or do not, are there some recommendations that either of you would have? And I will start with the Lieutenant Governor. Do you have any recommendations that could improve upon the Special Industry process of determining whether and how much of an increase in the minimum wage this should be?

Lt. Governor SUNIA. Well, I believe that the matter is relative, Madam Chair. Since the passing of recent legislation, now we have something to compare the old system with; and I will tell you that the old system is much better. Inconsistency is the very soul of that. It is not a bad thing. They have to be inconsistent because as the facts of the economy determine the right and wrong is what wages are concerned, the outcome cannot be consistent. They can go up and down, and it is driven by the economic factors that are involved. So I don't see why the inconsistency is portrayed as an evil. It is not I suppose. But whether or not that committee has always arrived at the right level at the right wage, it is an issue that needs to be addressed with the commission. But the mechanism itself I think is much better than just us getting rolled up with CNMI and just sorry it is Washington politics that we don't take it very considerate. In fact, I think it is insulting to tell us that "Sorry, this is politics in Washington, and you just got caught up and we are going to try to fix it." It is viewing it from American Samoa where we live under a very unique and traditional culture. We don't take that as a very respectful way to handle our matters.

Mrs. CHRISTENSEN. Anyone else would like to respond?

Mr. MOLIGA. To the issue of balancing cost of living versus what we earn, I would sure like to see that rest with DOI and Government of American Samoa. There is no question as to the gradual increase in cost of living, and much of that is to be counted toward the high cost of government services in American Samoa. You take services that he is providing to the people versus what people are making, there is no question it is too high for such a level of income to absorb. But we are not saying that we should be pushing that burden to the people. What we are saying is that is where DOI and the government should be working—for instance, the high cost of electricity, the high cost of hospital fees, the high cost of servicing the people here in American Samoa. Much of that can be reduced by negotiations through DOI and our local government instead of us pushing for minimum wage to be increased without any foundation.

My recommendation is for DOI and our local government to sit down and consider ways, provide subsidy for the high cost of fuel, and you know it is outrageous the way we are living now. And that is exactly one of the reasons why people are coming out in support of this minimum wage, but that can be balanced out if DOI and local government can sit down and devise a mechanism where that can be absorbed without adding on to the peoples. The old saying that we have in Samoan that one in your hand is better than two

in the bush. Economic development and economic pace stays more jobs. There is no question to that. The more jobs we have, the more solid our foundation is going to be. And a series of activities that the government is now pursuing to make sure that we have an option to our economic development, DOI set aside $3 million for the fiber optic. Both the Governor and the Fono concur. We feel there must be an option. In the event the canneries leave, then we have something else. That is why we allow for the call center to come in, and we are hoping such legislation that the Fono will be passed and approved and signed by the Governor and that will provide an option for new business to come in the territory. Otherwise we don't have anything.

The cost of fuel and the cost of government services is outrageous, and there is no way we can support that with the earnings that people are making.

Mrs. CHRISTENSEN. You answered one of my questions—what other avenues were being explored for economic development—call centers and fiber optic? I just want to ask you one other question. In your experience with the Special Industry Committee, what factor or factors carries the most weight in their deliberations and their determination of 1 cent or 2 cents or no increase in the minimum wage? What was the most weighted factor? What was the factor that carried the weight in that decision?

Lt. Governor SUNIA. I have never had the opportunity to be a member of those committees, but I understand from the findings that it is very high in their consideration—the cost of living, the purchasing power of the workers.

Mrs. CHRISTENSEN. To what extent? The canneries have testified on a number of occasions that they could not sustain an increase in the wage. I think 2003 and 2005, we have testimony to that effect. To what extent do you think the canneries again saying that they could not sustain the wage, play the role in the Special Industry Committee's decision?

Lt. Governor SUNIA. As much as our champion Congressman tries to have the canneries reveal to us how much money they make here, I think they never will. So your question, Madam Chairwoman, I truly cannot answer that.

Mrs. CHRISTENSEN. I accept that. I don't know if anyone else has anymore knowledge in the workings of the Industry Committee? Anyone at the panel? No one at the panel has insight on one of the committees?

Did you have any other questions?

Mr. FALEOMAVAEGA. Yes, I do.

Mrs. CHRISTENSEN. We are going to wrap this up shortly, but I give my colleague an opportunity to ask another question or two.

Mr. FALEOMAVAEGA. Madam Chair, we are discussing the ability of the Special Industry Committee that was created since 1989 I believe, but I think we also need to understand how this whole thing came about. How we ended up to the current minimum wage system that we end up with. And our office did a little research that in the mid-1950s at that time in America, the minimum wage was $1 an hour. Then the executive officers of the canneries, at that time in Van Camp, appeared before a Congressional hearing before the Senate as well as in the House. It was their opinion that

Samoans were incapable of doing the work that they would be sent out to do if they were to establish their canneries here in the territory. True stories. They said it would take five Samoans to do the work of one person in the United States. So, therefore, we need to lower the minimum wage for this territory because our people were incapable of doing the work. At that time it started off with 27 cents an hour. 27 cents an hour! And then the Congress in its wisdom established this Special Industry Commission to meet this consideration of the differences of economic standing, if you will, but it was supposed to be for a temporary basis. Because since 1989, all the other territories have now come under the national minimum wage with the exception of American Samoa. So I think this is something that I would like to say to our dear friends of the panel that I have attended a couple of these Special Industry Committee hearings here in the territory, and I might say that I have some very strong feelings about the proceedings and the situation where one year it was the recommendation of 2 cents an hour increase in wages for our workers. Another year it was 3 cents an hour increase in wages.

Madam Chair, can you tell me how a person making 24 cents a day with the kind of minimum wages that were being done by Special Industry Committees—I accept it and support the concept. But in my humble opinion, the Industry Committee is not really getting a real substantive on-line issue as to where exactly is the economic standing of this territory for all the years. And I would like to ask our Director from the Department of Commerce if this 50-cent increase has been the best increase ever in the last 50 years since this territory came under this system in terms of determining the kind of minimum wage that should be given to our workers?

Mr. PAOPAO. Congressman——

Mr. FALEOMAVAEGA. And a word of caution, also, because this territory is the only territory that has 18 different minimum wages, depending on the kind of job that was being described. Unbelievable! The minimum wage in Alaska is just one minimum wage. It is not a different minimum wage for carpentry, for cannery workers, for lawyers. This is the way we have this system.

I'm sorry. I did not mean to—please, Mr. Paopao.

Mr. PAOPAO. I agree with you on the 50-cent increase for the canneries and probably the canneries most probably will respond to that, but as far as we know based on the statistics that we have, the wages that we provided it was not no impact with the canneries and even American Samoa Government on the first 50 cents. But however on the second 50 cents then we'll experience some impact on the curtailment of workers and that type of thing on the second 50 cents and will continue on until total effect on the entire government and the entire economy.

Mr. FALEOMAVAEGA. You indicated earlier, Paopao, that we have some 10,000 workers. Would you agree that we have actually two levels of working people in our territory? Those who work for the government and those who work in the private sector?

Mr. PAOPAO. I agree with that.

Mr. FALEOMAVAEGA. May I ask what is the minimum wage of our government workers? How much are they paid if they start tomor-

row? What is the minimum wage for our government workers to start tomorrow?

Mr. PAOPAO. Currently, in the government work starts at about $3.40 an hour right now.

Mr. FALEOMAVAEGA. How many government employees are under that pay scale right now may I ask?

Mr. PAOPAO. As far as I can tell based on information and the data available, no one is working below $3.41 an hour.

Mr. FALEOMAVAEGA. May I hear you again? Among those who work in the Government of American Samoa, no one was being paid below $3.40 an hour?

Mr. PAOPAO. Right.

Mr. FALEOMAVAEGA. What is the general realm of how much wages our government workers are getting currently? Is it—what percentage of government workers get paid $6 an hour right now?

Mr. PAOPAO. I do not have that information available but we do have that data available with the Department of Commerce in terms of how many are paid $3.50 to $4.00 and so forth and up to $30.00 an hour. We have that data available with the Department of Commerce.

Mr. FALEOMAVAEGA. Would you agree that actually maybe a good majority of government workers are being paid $6 an hour and above?

Mr. PAOPAO. I will say yes.

Mr. FALEOMAVAEGA. So in effect they are not affected by the minimum wage issue that we are discussing here?

Mr. PAOPAO. We are beginning to get effect on the second year. So many of them will be curtailed on the second year and then the third year and by the fourth year, the government cannot afford from the second year beginning to affect the government budget financially on a second year escalation of minimum wage increase. And it will be worst on the third year.

Mr. FALEOMAVAEGA. You indicated that American Samoa makes the lowest per capita income. What is the lowest per capita income of our workers here in American Samoa?

Mr. PAOPAO. I think it is about $4,000-plus—about $4,817.

Mr. FALEOMAVAEGA. What is the average per capita income in the United States? I am just curious. I am just trying to get my own motors.

Mr. PAOPAO. But it is a lot more than that. I think it is about $9.

Mr. FALEOMAVAEGA. So is this same per capita income is the same with those that work for the government as opposed to work in the private sector such as the canneries? I am just curious because obviously the scale of our work in the government is much higher than those who work for the canneries and in the private sector it seems to me. Am I correct on this?

Mr. PAOPAO. Yes, you are.

Mr. FALEOMAVAEGA. So which means that government workers' per capita income is higher than the poor cannery workers and those who work in the private companies?

Mr. PAOPAO. No. It is reviewed the same, and we came up with that per capita income for all the territory.

Mr. FALEOMAVAEGA. The average.

Mr. PAOPAO. The average is about $4,817 per annum.

Mr. FALEOMAVAEGA. I just want to say that I think the whole issue of minimum wage—please, I welcome your comments. The worth of the labor is higher in terms of that person working for whatever profession, and how we then can measure what should be the minimum wage given the standard of our economy. I could not agree with you more, Mr. President. We want the minimum wage to increase for our workers, but it has to be commensurate with the ability of our economy to also sustain that income increase. Am I correct?

I think all of you agree with that concept. You don't mind increases in wages but it has to be in conformity or the ability of our economy to sustain that increase.

Lt. Governor SUNIA. Congressman, you know for the same reason that I don't make the kind of money you make because your job is much more important than mine.

Mr. FALEOMAVAEGA. Please, please.

Lt. Governor SUNIA. So, you know, to compare, like I said, it is relative. You have to try to. You are saying that what we are doing here is raise the canneries up to imperative with the government. I don't know if that is the issue we are facing here, but to me it is relative and then perhaps when the cannery people come here, they will address that. But just to demonstrate that, the industry committee that was there before. The bill was correct. Because when the first 50 cents came into effect, our minimum wages of the government was not really affected. Now to me that demonstrates the committee's work was right on there—give or take. Now I am speaking for the government employees' minimum wage, but I don't know about the canneries because we indicated earlier we never know we are not driven in our wages. Our wages are driven by different interests all together. You know that I don't have to say that. Our interest is plain just service provider but the canneries can tell you their interest in how their wages are driven.

I suppose I am trying to save my director here by saying the wrong thing or contrary to what I am saying. I am advising him try to not talk too much but he kept answering your question.

Mrs. CHRISTENSEN. Thank you. I just needed some clarification so when the minimum wage went up, it was increased 50 cents, the government workers saw an increase?

Lt. Governor SUNIA. The effect—what we have to do to comply with the first 50 cents—wasn't really much. So that is why I said what I said—therefore, where we are at and maybe it was correct after all.

Mrs. CHRISTENSEN. OK. And then the second clarification, I guess Mr. Paopao you said that there wasn't much impact. I wanted to also clarify was there any impact on tax revenue collected with the increase in the minimum wage, or has that not shown up yet?

Mr. PAOPAO. No.

Mrs. CHRISTENSEN. No you have not seen any recent

Mr. PAOPAO. Yes.

Mr. MOLIGA. If I can add to that. The recent data and information gathering show a downward trend in terms of revenues with ASG. It has been down since 2005, 2006 in terms of you know the

revenues from taxation and other areas. And we feel like you said there is no real data. That is the concern I have right now—the availability of the actual data for that commission to be based on. The question is do you have sufficient data to provide a more reasonable decision for American Samoa? I think the most honest and the most practical data we have is the everyday life of people that we experience on this island. We've been talking to the business community; we've been talking to store owners; and it shows in our business with us. We have problems with how much money people are spending and the more jobs that we lose, the more downward spiral our economy will take.

Mrs. CHRISTENSEN. Well, thank you. I would like to thank both the Lieutenant Governor Sunia and President Lolo as well as Mr. Paopao for their testimony and their answers to the questions. We may have—the Subcommittee may have additional questions for you which we would submit to you in writing. We appreciate your taking the time to be here and to be so patient with us as we ask. We went over the time quite a bit, and without objection, I would like to enter into the legislative record the Senate Concurrent Resolution No. 30-20 as well as the American Samoa Legislature's Joint testimony on the minimum wage. So thank you, and you are excused. Thank you again for your patience.

Mr. FALEOMAVAEGA. Madam Chair, I would like to really thank you Lieutenant Governor, Senate President, and Director of Commerce. I would just like to let you know that next week the Senate Committee on Energy and Resources is also going to be holding a hearing on the minimum wage issue, especially our good Senator from the State of Hawaii, Senator Daniel Akaka will be leading that hearing. That will be held in the Senate on the issue of minimum wages for both American Samoa and the CNMI, so we are not sitting still on this issue. And I believe and hopefully the Governor will be passionate to travel, and we hopefully expect that he will testify in that hearing as well next week.

Lt. Governor SUNIA. Thank you Mr. Congressman and on behalf of the President of the Senate and Director Paopao, thank you for the opportunity to come here before you, and I would like to apologize if we have spoken out of turn or raise our voices. That is the way we want you to know it is our strong desire to make sure you understand where we are coming from and hope you enjoy the rest of the stay here. By the way, Congressman, this being the second hearing after more than half a century, you should have planned a real big hearing, two weeks you know, half a day and then you are going to go for another half a century. Anyway, good afternoon, Ma'am. Thank you very much.

Mrs. CHRISTENSEN. Thank you. Thank you, Lieutenant Governor.

So we would like to call up what would be the last panel of the day. The Chair now recognizes the next panel to testify: Mr. David Robinson, President of the Chamber of Commerce; Mr. Brett Butler, General Manager of StarKist Samoa; and Alfonso "Pete" Galea'i, Plant Human Resources Manager of the Chicken of the Sea Samoa Packing Company.

Mr. Robinson, you may begin your testimony whenever you are ready.

STATEMENT OF DAVID ROBINSON, PRESIDENT, CHAMBER OF COMMERCE

Mr. ROBINSON. Thank you very much, Honorable Chairwoman Donna Christensen, Honorable Congressman Faleomavaega Eni Hunkin, Members of the Committee and staff. On behalf of the American Samoa Chamber of Commerce, may I welcome you here today. Thank you for making time today to hear various testimonies on this very important subject.

Madam Chair, the origins of the Federal minimum wage applying to American Samoa appear to have been motivated by political points scoring rather than a genuine concern for the people and the economy of American Samoa. The original minimum wage bill as approved by the Democrats beginning January 2007 exempted American Samoa from the minimum wage increase proposal. It was not until the Republicans made an issue of the fact that the headquarters of Del Monte, the owners of the StarKist Tuna Cannery are located in Mrs. Nancy Pelosi's electorate in San Francisco that the bill was amended to include American Samoa.

The amendment appears to have been made without any serious degree of prior economic research on the impact of the potential negative outcomes that would arise for American Samoa and without the appropriate level of consultation with the Governor and senior government officials. The idea that the local minimum wage in a small Pacific island country should become consistent with one of the world's largest economies seems quite absurd. At the time, the Chamber of Commerce requested that American Samoa not be included in the minimum wage bill. The Chamber felt that the escalator clause included in the bill would have significant impacts that would be detrimental to the economy of American Samoa namely the two canneries whose operations would become uncompetitive in the global trading environment and they would either scale down their operations or even decide to leave. It would impact the government, as the largest employer could embark on a retrenchment program. The private sector would be affected and they would probably retrench staff and, in some cases, be forced to close their business. The general wage scale parity in the territory would be upset by wage compression. There would be mass unemployment, and it would cause considerable outflow of capital. It would cause the banks to foreclose on delinquent accounts, it would cause an increase in crime rates, and property values would decline as vacancy rates soared.

The position of the Chamber remains the same today in that the initial increase to the minimum wage was manageable, but any further increases should be decided on in a biennial review. This review would take into account the position of the economy to accept any increase, a position that is glaringly missing from the current legislation. The overall effect of the escalator clause in the bill will touch all facets of the economy and quality of life for the population of American Samoa.

There would be a reduced collection of corporate and personal income tax, adding pressure to the government's budget and the Federal government would probably be called upon to increase its financial support as departments such as the Treasury, Health, and Education would all be short of funds. There would not be any

much needed new investment and development projects. Increased wages would make us less competitive with other Pacific countries competing for investment dollars. There would be a significant tightening of credit and lending from our retail banks.

Sea freight costs would increase and shipments would be less frequent causing shortages of basic food items. Cost increases would be passed on to the consumer causing unsustainably high inflation. Essential services and utilities such as their power, the telephone company, the hospital and public works would suffer due to lack of funding.

Madam Chair, the recent report commissioned to assess the impact to the first increase in the minimum wage on our economy by the Department of Labor and the McPhee report, to evaluate American Samoa's future and the canneries' industry, both concur with the Chamber's concern. Our Congressman Faleomavaega has recently introduced a bill to put an end to automatic raises for American Samoa as to continue is to cause economic devastation to our economy, the Chamber is fully supportive of this initiative as it is vital that the escalator clause is removed. Time, unfortunately, is against us as the next 50-cent increase is due on 25th of May, and if this automatic increase is not stopped or the very least delayed for perhaps a year, it is the Chambers opinion that it will cause the canneries to make some serious pronouncements about their immediate and their longer term future here which will have a significant and detrimental effect on our economy.

Madam Chairwoman, the Chamber would respectfully draw your attention to the recent establishment by the Governor of a private public partnership known as the Economic Advisory Council. This Council was established as a means for the territory to become more economically self sufficient and to deal with the impact of issues such as the imposition of the minimum wage. It is intended to bring closer collaboration between the private sector and the government in economic development. And it will aid government in understanding, designing, and implementing new economic development programs and policies. The Council has already made considerable progress toward the development of new projects in industry sectors such as agricultures, hydroponics and aquaculture, fisheries, light manufacturing, the environment and alternative energy. And the Council has also used data and recommendations from previous and very expensive economic studies and reports to assist it with its work.

In this area of changing economic circumstances for the territory and then the rapidly new changing highly competitive global economy, the Chamber applauds its initiative and makes reference to it today as it demonstrates a will by the government to be proactive in its desire to stimulate the economy and to seek new development and investment from overseas and will assist in supporting the economy in the short term and continue to support it in the longer term if the two canneries decide to scale down or move their operations elsewhere due to unfavorable economic conditions that exist for them here in American Samoa.

Madam Chairwoman, the Chamber of Commerce urges you and your Subcommittee to do everything in your power to ensure that the escalator clause is removed from the minimum wage bill imme-

diately so that we have some time to encourage new investment into our economy, and we return to a regular assessment of the needs of our people on the minimum wage on a biennial review basis, and act to increase their wages in line with prevailing economic conditions at the time.

Thank you.

[The prepared statement of Mr. Robinson follows:]

Statement of David Robinson, President, American Samoa Chamber of Commerce

Madame Chairwoman:

The origins of the federal minimum wage applying to American Samoa appear to have been motivated by political points scoring rather than a genuine concern for the people and the economy of American Samoa.

The original minimum wage bill as approved by the Democrats at the beginning of January 2007 exempted American Samoa from the minimum wage increase proposal. It was not until the Republicans made an issue of the fact that the headquarters of Del Monte, the owners of the Starkist Tuna cannery, are located in Mrs Nancy Pelosi's electorate in San Francisco, that the bill was amended to include American Samoa.

The amendment appears to have been made without any serious degree of prior economic research on the impact and the potential negative outcomes that would arise for American Samoa and without the appropriate level of consultation with the Governor and senior government officials.

The idea that the local minimum wage in a small Pacific island country should become consistent with one of the world's largest economies seems quite absurd.

At the time the Chamber of Commerce requested that American Samoa not be included in the minimum wage bill. The chamber felt that the escalator clause included in the bill would have significant impacts that would be detrimental to the economy of American Samoa. Namely——

- the two canneries whose operations would become uncompetitive in the global trading environment and they would either scale down their operations or even decide to leave;
- the government as the largest employer could embark on a retrenchment program;
- the private sector who would retrench staff and in some cases be forced to close their business;
- the general wage scale parity in the territory upset by wage compression;
- there could be mass unemployment;
- it could cause a considerable outflow of capital;
- it would cause the banks to foreclose on delinquent accounts;
- it would cause an increase in crime rates; and—
- property values would decline as vacancy rates soar.

The position of the Chamber remains the same today, in that the initial increase to the minimum wage was manageable but any further increases should be decided in a yearly review. This review would take into account the position of the economy to accept any increase; a position that is glaringly missing from the current legislation.

The overall effect of the escalator clause in the bill will touch all facets of the economy and quality of life for the population of American Samoa.

There would be a reduced collection of corporate and personal income tax adding pressure to the government budget and the federal government would have to increase it's financial support as departments such as the treasury, health and education would all be short of funds.

There would not be any much needed new investment and development projects—increased wages would make us less competitive with other Pacific countries competing for investment dollars.

There would be a significant tightening of credit and lending from our retail banks.

Sea freight costs would increase and shipments would be less frequent causing shortages of basic food items. Cost increases would be passed on to consumers causing unsustainably high inflation.

Essential services and utilities such as the power authority, the telephone company, the hospital and public works would suffer due to lack of funding.

Our Congressman Faleomavaega has recently introduced a bill to put an end to automatic rises for American Samoa as to continue is to cause economic devastation to our economy. The Chamber is fully supportive of this initiative as it is vital that the escalator clause is removed.

Time is against us as the next $0.50 cents increase is due on 25 May and if this automatic increase is not stopped, it is the Chamber's opinion that it will cause the canneries to make some serious pronouncements about their immediate and longer term future here which will have a significant and detrimental effect on our economy.

Madame Chairwoman, the Chamber of Commerce urges you and your subcommittee to do everything in your power to ensure that the escalator clause is removed from the minimum wage bill so that we have some time to encourage new investment into our economy and we return to a regular assessment of the needs of our people on the minimum wage on an annual review basis and act to increase their wages in line with prevailing economic conditions at the time.

Mrs. CHRISTENSEN. The Chair would now recognize Mr. Brett Butler for his testimony.

STATEMENT OF BRETT BUTLER, GENERAL MANAGER, STARKIST SAMOA

Mr. BUTLER. Thank you Chairwoman Christensen. First of all, good afternoon to the Subcommittee members here. I am Brett Butler, General Manager of StarKist Samoa, a subsidiary of Del Monte Foods. Thank you for inviting me to testify on the subject of the economic effects of the recently increased minimum wage.

As you know, the matter we are here today to discuss today, mandatory minimum wage increases, is of great interest and importance to the American Samoa economy and the businesses who have chose to locate here. Through Del Monte Foods, StarKist has been working with the U.S. Department of Labor as well as Congressman Eni Faleomavaega to ensure the Federal government and decision makers in Washington fully understand the gravity of the current mandatory wage increases.

I began my employment with StarKist Samoa in 1995 as a Capital Appropriations Clerk, and I have held several supervisory and management positions prior to becoming plant general manager in 2005. I was born and raised in American Samoa where I attended elementary and high school. I received a Bachelor of Arts degree from Pomona College in 1993.

Let me begin by informing the Committee of Del Monte's most recent involvement in this issue. As indicated by the United States Department of Labor, Office of the Assistant Secretary for Policy, Del Monte's employees we were interviewed on multiple occasions by the authors of the recent report on this subject issued on January 25 of this year and provided further information in writing as requested by the authors. From the sources cited in the report, the information provided by Del Monte was indeed included in their analysis. In addition to the Federal study, Del Monte provided responses to the questions asked by Malcolm D. McPhee & Associates, for inclusion in their recent report on the subject prepared for the Department of Commerce, American Samoa Government. It should be noted that the United States Department of Labor incorporated the report prepared by Malcolm D. McPhee & Associates in its report.

With specific regard to American Samoa, we noted in our discussions with both teams of researchers that constantly shifting cost

pressures, excess global tuna manufacturing capacity and uncertainty in labor markets means that the American Samoa tuna industry is at significant and immediate risk. Additionally, the continued uncertainty in the tax code, both Federal and local, dramatically shifting energy costs and exponentially increasing labor costs annually mandated by law conspired to create a significant detriment to American Samoa's economic viability as a place to continue to do business.

The mandatory annual 50-cent-per-hour wage increases that are scheduled to continue in May, and each year thereafter creates the most significant new uncertainty and rapidly adds to the attraction of competing manufacturing locations in pursuit of our industry. While the Department of Labor report correctly notes that 85 percent of the American Samoa's economy is derived from tuna processing, American Samoa supplies less than 15 percent of the world's tuna supply. American Samoa only serves the U.S. market and primarily with commodity canned tuna products. Industry growth products such as pouch and other value added products are produced elsewhere like Ecuador. However, to date StarKist has remained committed to diversifying American Samoa production into these products if economically feasible.

It is important to understand, however, that the U.S. commodity tuna market is declining. Indeed from 2004 to 2007, the overall U.S. tuna market declined by 8 percent. Furthermore, significant excess tuna processing capacity exists globally, primarily in nearby low costs countries such as Thailand and the Philippines, and Fiji who are eager to absorb this production. Furthermore, competitive trade advantages previously enjoyed by American Samoa no longer exist. Tuna processing countries in North and Central America are now completely duty free under CAFTA and NAFTA and in Africa are duty free currently under AGOA. Wage rates in these countries are considerably lower than American Samoa's.

U.S. foreign tuna imports from 2003 to 2005 were the highest level ever, and from 2004 to 2005 these foreign imports officially surpassed total domestic production. Despite a 12.5 percent duty, importers from low wage countries are still making a profit. These imports are split among Thailand, 47 percent; Philippines, 22 percent; Ecuador, 14 percent; and Indonesia 9 percent. Even with this rapid growth in U.S. foreign tuna products, there remains significant excess capacity to absorb more production in these countries. As stated in the Department of Labor report on page 20, there are forty canneries in Thailand, and that nothing would have to be built or moved. To implement a production transfer, the companies would simply place more orders with existing plants. It has been reported that the world tuna processing has an excess of production capacity on the order of 20 to 40 percent.

I read the following statement from Congressman Eni F.H. Faleomavaega: "By way of our mutual cooperation and based on the findings of the DOL study, I am confident that the Governor, Fono, and I will send a unified message to Congress requesting an enactment of legislation which will put an end to automatic increases in minimum wage and which will empower the DOL, in consultation with the Secretary of the Interior and the American Samoa Government, to conduct economic assessments every two

years to determine when and if our economy can absorb future increases." Del Monte supports the resolution outlined in this statement, and we pledge our support and assistance to the Governor, Fono, and the Congressman to achieve this outcome.

Thank you again for the opportunity to appear here today. Thank you.

[The prepared statement of Mr. Butler follows:]

Statement of Brett Butler, Del Monte Foods, General Manager, StarKist Samoa

Good morning. I am Brett Butler, General Manager of StarKist Samoa, a subsidiary of Del Monte Foods. Thank you for inviting me to testify on the subject of the economic effects of the recently increased minimum wage.

As you know, the matter we are here to discuss today—mandatory minimum wage increases—is of great interest and importance to the American Samoan economy and the businesses who have chosen to locate here. Through Del Monte Foods, StarKist has been working with the U.S. Department of Labor as well as Congressman Eni Faleomavaega to ensure the federal government and decision makers in Washington fully understand the gravity of the current mandatory wage increases.

I began my employment with StarKist Samoa in 1995 as a Capital Appropriations Clerk, and have held several supervisory and management positions prior to becoming Plant General Manager in 2005. I was born and raised in American Samoa, where I attended elementary and high school. I received a Bachelor of Arts degree from Pomona College in 1993.

Let me begin by informing the Committee of Del Monte's most recent involvement in this issue. As indicated by the United States Department of Labor, Office of the Assistant Secretary for Policy, Del Monte employees were interviewed on multiple occasions by the authors of the recent report on this subject, issued on January 25 of this year, and provided further information in writing as requested by the authors. From the sources cited in the report, the information provided by Del Monte was indeed included in their analysis.

In addition to the Federal study, Del Monte provided responses to the questions asked by Malcolm D. McPhee & Associates, for inclusion in their recent report on the subject prepared for the Department of Commerce, American Samoa Government. It should be noted that the United States Department of Labor incorporated the report prepared by Malcolm D. McPhee & Associates in its report.

With specific regard to American Samoa, we noted in our discussions with both teams of researchers that constantly shifting cost pressures, excess global tuna manufacturing capacity, and uncertainty in labor markets means that the American Samoan tuna industry is at significant and immediate risk. Additionally, the continued uncertainty in the tax code—both Federal and local, dramatically shifting energy costs, and exponentially increasing labor costs annually mandated by law conspire to create a significant detriment to American Samoa's economic viability as a place to continue to do business.

The mandatory annual $0.50/hour wage increases that are scheduled to continue in May, and each year thereafter, creates the most significant new uncertainty and rapidly adds to the attraction of competing manufacturing locations in pursuit of our industry.

While the Department of labor report correctly notes that fully 85% of the American Samoan economy is derived from Tuna processing, American Samoa supplies less than 15% of the world's canned tuna supply. American Samoa only serves the U.S. market, and primarily with commodity canned tuna products. Industry growth products (such as pouch and other value added products) are produced elsewhere, like Ecuador. However, to date StarKist has remained committed to diversifying American Samoan production into these products if economically feasible.

It is important to understand, however, that the U.S. "Commodity Tuna" market is declining. Indeed, from 2004—2007, the overall U.S. tuna market declined by 8%. Furthermore, significant excess tuna processing capacity exists globally, primarily in nearby, low labor cost countries such as Thailand, the Philippines, and Fiji who are eager to absorb this production. Furthermore, competitive trade advantages previously enjoyed by American Samoa no longer exist. Tuna processing countries in North and Central America are now completely duty free under CAFTA and NAFTA and in Africa are duty free currently under AGOA. Wage rates in these countries are considerably lower than American Samoa's.

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Even with this rapid growth in U.S. foreign tuna imports, there remains significant excess capacity to absorb more production in these countries. As stated in the Department of Labor Report, on page 20, "...there are forty canneries in Thailand, and that nothing would have to be built or moved. To implement a production transfer, the companies would simply place more orders with existing plants...It has been reported that the world tuna processing has an excess of production capacity on the order of 20 to 40 percent."

I read the following statement from Congressman Eni F.H. Faleomavaega, "By way of our mutual cooperation and based on the findings of the DOL study, I am confident that the Governor, Fono, and I will send a unified message to Congress requesting enactment of legislation which will put an end to automatic increases in minimum wage and which will empower the DOL, in consultation with the Secretary of the Interior and the American Samoa Government, to conduct economic assessments every two years to determine when and if our economy can absorb future increases." Del Monte supports the resolution outlined in this statement and we pledge our support and assistance to the Governor, Fono and Congressman to achieve this outcome.

Thank you again for the opportunity to appear here today.

Mrs. CHRISTENSEN. Thank you, Mr. Butler.

The Chair now recognizes Mr. Galea'i for his testimony.

STATEMENT OF ALFONSO "PETE" GALEA'I, PLANT HUMAN RESOURCES MANAGER, CHICKEN OF THE SEA SAMOA PACKING COMPANY

Mr. GALEA'I. Chairwoman Christensen, Congressman Faleomavaega, and members of the Subcommittee, I am Alfonso Pete Galea'i, Plant Human Resources Manager, COS Samoa Packing Company of Chicken of the Sea International. On behalf of Chicken of the Sea, thank you for the opportunity to testify on the economic effects of the recently increased minimum wage.

This hearing is not only timely but it is also very important for the people and businesses of American Samoa. As the Department of Labor reported only weeks ago, the new minimum wage requirements could result in the closure of the tuna canneries which could cause severe and wide spread damage to the American Samoa economy. While my comments today will focus primarily on the minimum wage, I will also discuss some of the additional economic issues that we face as a business operating in American Samoa. I will be happy to address questions related to any of these economic issues.

Chicken of the Sea has been a partner with American Samoa since 1954. We have nearly 2,000 employees in American Samoa, and their welfare and that of their families is very important to us. We understand our responsibilities to the local economy and have worked to maintain operations in American Samoa. Unfortunately, changing economies, which include high labor costs, have undermined the profitability of tuna canneries in American Samoa.

These labor costs decrease our ability to compete with foreign businesses who enjoy significantly lower labor costs in Thailand, Philippines, Ecuador, Mexico, and Papua New Guinea to name a few. Moreover as the Department of Labor reported, our competitive disadvantage cannot be offset by increased productivity, or re-

duced profits, or high prices passed along to consumers. Our concerns about the increasing minimum wage are well founded. According to the Department of Labor, there appears to be a genuine cause for concern that at some point before the escalation to $7.25 per hour is reached, the rising minimum wage combined with other factors may lead to the closing of both canneries in American Samoa. As you well know, the loss of canneries' jobs in American Samoa would devastate the territory's economy. About 7,825 job losses would result from the closure of both canneries in American Samoa. That is the equivalent to 40 percent of all employment in American Samoa.

The Department of the Interior predicted that direct wage loses from the closure of two canneries would amount to $33.4 million a year. This figure excludes management compensation or the immediate second tertiary losses including goods and services provided to fishing fleets and crews. According to the Department of the Interior, the total loss is likely to be significantly higher. The potential costs to the U.S. Government, if the canneries shut down, are significant. The American Samoa Government would lose its primary source of corporate revenues and the economic and financial distress caused by such an event would result in increased use of Federal assistance. This assistance would take the form of food stamps, temporary assistance to needy families, Women, Infant, and Children (WIC), and Medicaid. It is estimated that those affected directly by the cannery shutdown may number as many as 19,189 persons. This means the total estimated Federal aid can be as much as $46.3 million a year, twice the amount of current discretionary Federal grants to the American Samoa Government.

Over time, the closing of the cannery will likely result in a $150 million to $200 million shortfall in the local governments' revenue—revenue that could only be replaced with a Federally appropriated subsidy according to a letter sent from Congressman Faleomavaega and Senators Inouye, Bingham, and Akaka who are ranking members of the Health, Education, Labor and Pensions Committee, and Mr. Michael Ensi. Given the constantly shifting cost pressures, excess global manufacturing capacity and uncertainties in labor markets, the American Samoa tuna industry is at a significant and immediate risk. Moreover, the potential and exponential and annual increase in labor costs undermines American Samoa's economic viability as a place to continue to do business. Those most hurt by the negative effects of the minimum wage increase are actually the people intended to benefit from the Fair Minimum Wage Act of 2007. This reality is recognized by those tasked with protecting the people of American Samoa.

In a letter to the Chairman of the Committee on Energy and Natural Resources Jeff Bingaman, American Samoa Governor Togiola requested that the future increases to the minimum wage be conditioned on the Secretary of Labor's determination that the increase be economically feasible and will not substantially curtail employment in American Samoa. Likewise Congressman Faleomavaega introduced H.R. Bill 5154 which would amend the Fair Minimum Wage Act of 2007 and condition further increases in the minimum wage on a determination by the Secretary of Labor

that such increases will not have an adverse impact on American Samoa's economy.

On behalf of Chicken of the Chicken of the Sea, I would like to express our strong support for Congressman Faleomavaega's important legislation as well as Governor Tulafono's efforts to encourage Congress to enact similar measures. Calibrating the labor costs in American Samoa with the territory's economic viability is only one step in the process of strengthening the island's economy. American Samoa is seeking to diversify its corporate economy, attracting new investments, and creating new business opportunities. To do that, American Samoa must address additional cost issues like fuel cost and local taxes. We support the efforts to strengthen the American Samoa economy, and Chicken of the Sea would be honored to help Congress develop an economic incentives package geared toward the territory's economic diversification and stabilization.

Thank you for the opportunity to testify before you today. I am happy to answer any questions you might have.

[The prepared statement of Mr. Galea'i follows:]

Statement of Alfonso "Pete" Galea'i, Plant Human Resources Manager, COS Samoa Packing Company, Chicken of the Sea International

Chairwoman Christensen, Congressman Gallegly, Congressman Faleomavaega, and members of the subcommittee, I am Alfonso "Pete" Galea'i, Plant Human Resources Manager for COS Samoa Packing Company of Chicken of the Sea International. On behalf of Chicken of the Sea, thank you for the opportunity to testify on the economic effects of the recently increased minimum wage. This hearing is not only timely, but it is also very important for the people and businesses of American Samoa. As the Department of Labor reported only three weeks ago, the new minimum wage requirements could result in the closure of the tuna canneries, which would cause severe and widespread damage to the American Samoa economy.[1] While my comments today will focus primarily on the minimum wage, I will also discuss some of the additional economic issues that we face as a business operating in American Samoa. I would be happy to address questions related to any of these economic issues.

Chicken of the Sea has been a partner with the people of American Samoa since 1954. We have nearly 2000 employees in American Samoa, and their welfare and that of their families is very important to us. We understand our responsibilities to the local economy and have worked to maintain operations in Samoa. Unfortunately, changing economies—which include high labor costs—have undermined the profitability of tuna canneries in American Samoa.[2] These labor costs decrease our ability to compete with foreign businesses who enjoy significantly lower labor costs in Thailand, Philippines, Ecuador, Mexico, and Papua New Guinea, to name a few. Moreover, as the Department of Labor reported, our competitive disadvantage cannot be offset by increased productivity, reduced profits, or higher prices passed along to consumers.[3]

Our concerns about the increasing minimum wage are well-founded. According to the Department of Labor, "[T]here appears to be genuine cause for concern that, at some point before the escalation to $7.25 per hour is reached, the rising minimum wage combined with other factors may lead to the closing of both canneries in American Samoa."[4] As you well know, the loss of cannery jobs in American Samoa would devastate the territory's economy. About 7,825 job losses would result from the closure of the two canneries; that is the equivalent of 40 percent of all employment in American Samoa.[5] The Department of Interior predicted that direct wage losses

[1] U.S. Department of Labor, Impact of Increased Minimum Wages on the Economies of American Samoa and the Commonwealth of the Northern Mariana Islands, 17 (Jan. 2008).
[2] Id. at 16.
[3] Id. at 14.
[4] Id. at 18.
[5] Id. at 21.

from the closure of the two canneries would amount to $33.4 million a year.[6] This figure excludes management compensation or the immediate secondary and tertiary losses, including goods and services provided to fishing fleets and crews. According to the Department of Interior, the total loss is "likely to be significantly higher."[7]

The potential cost to the United States government if the canneries shut down are significant. The American Samoa Government (ASG) would lose its primary source of corporate revenues, and "the economic and financial distress caused by such an event would result in increased use of Federal assistance."[8] This assistance would take the form of food stamps; temporary assistance to needy families (TANF); women, infants, and children (WIC); and Medicaid. It is estimated that "those affected directly by the cannery shutdown may number as many as 19,189 persons."[9] This means the "total estimated Federal aid can be as much as $46.3 million a year, twice the amount of the current discretionary Federal grant to the ASG."[10] Over time, the closing of the canneries "would likely result in a $150 million to $200 million shortfall in the local government's revenue—revenue that could only be replaced with a federally appropriated subsidy," according to a letter sent from Congressman Faleomavaega and Senators Inouye, Bingaman, and Akaka to the Ranking Member of the Health, Education, Labor & Pensions Committee Michael Enzi.[11]

Given the constantly shifting cost pressures, excess global manufacturing capacity, and uncertainty in labor markets, the American Samoan tuna industry is at significant and immediate risk. Moreover, the exponential and annual increase in labor costs undermines American Samoa's economic viability as a place to continue to do business. Those most hurt by the negative effects of the minimum wage increase are actually the people intended to benefit from the Fair Minimum Wage Act of 2007. This reality is recognized by those tasked with protecting the people of American Samoa:

- In a letter to Chairman of the Committee on Energy and Natural Resources Jeff Bingaman, American Samoa Governor Togiola Tulafono requested that the future increases to the minimum wage be conditioned on the Secretary of Labor's determination that the increase "economically feasible and will not substantially curtail employment in American Samoa."[12]
- Likewise, Congressman Faleomavaega introduced H.R. 5154, which would amend the Fair Minimum Wage Act of 2007 and condition further increases in the minimum wage on a determination by the Secretary of Labor that such increases will not have an adverse impact on American Samoa's economy.

On behalf of Chicken of the Sea, I would like to express our strong support for Congressman Faleomavaega's important legislation, as well as Governor Tulafono's efforts to encourage Congress to enact similar measures.

Calibrating the labor costs in American Samoa with the territory's economic viability is only one step in the process of strengthening the island economy. American Samoa is seeking to diversify its corporate economy, attracting new investments and creating new business opportunities.[13] To do that, American Samoa must address additional cost issues, like fuel cost and local taxes. We support the effort to strengthen the American Samoa economy, and Chicken of the Sea would be honored to help Congress develop an economic incentives package geared toward the territory's economic diversification and stabilization.

Thank you for the opportunity to testify before you today. I am happy to answer any questions that you might have.

Mrs. CHRISTENSEN. I would like to thank all of the three panelists for their testimony. I now recognize myself to start the first round of questioning. I will begin with Mr. Robinson, representa-

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[6] Office of Insular Affairs, U.S. Department of the Interior, The Economic and Financial Impact of American Samoa Cannery Shutdown on the Territory's Economy, Employment, Public Sector and the Federal Budget, 3 (July 2006).

[7] Id.

[8] Id. at 5.

[9] Id.

[10] Id.

[11] Letter from Congressman Eni Faleomavaega and Senators Daniel Inouye, Jeff Bingaman, and Daniel Akaka to The Honorable Michael Enzi, Ranking Member of the Health, Education, Labor & Pensions Committee, 1 (Dec. 13, 2007).

[12] Letter from The Honorable Togiola T.A. Tulafono, Governor of American Samoa, to The Honorable Jeff Bingaman, Chairman of the Energy and Natural Resources Committee, 2 (Dec. 27, 2007).

[13] Rick Turner and Adam Stein, American Samoa Business Opportunities Report, 1 (July 2007).

tive of the Chamber of Commerce. Those who believe that because the canneries have not shut their doors and left after the first 50-cent increase that perhaps the next 50-cent increase would yield the same results and wouldn't have a great impact. What do you say to those who feel that way.

Mr. ROBINSON. Thank you, Madam Chair.

We do not subscribe to that line of thinking. It is the belief of the Chamber and its members that if the second 50 cents goes on on the 25th of May, this will encourage both canneries to review their current operations and the effects of the outcome of their review, we feel would either be a scaling down or in fact a departure from American Samoa.

Mrs. CHRISTENSEN. I would believe that you know it was always envisioned that after 50 years of—continue with it Mr. Robinson—being under the Special Industry Committee, that American Samoa's wages would have progressed at least to maybe what the U.S. wages were—$5, perhaps $5.50—the whole U.S. minimum wage. I am sure that that was the thinking that somehow it would have increased over that 50-year period. So why in your opinion has that not occurred, and what do you see as the main factor in the Industry Committee's deliberations that has prevented the wages from increasing more than they have over these 50 years?

Mr. ROBINSON. Madam Chair, I have not been privy to those previous meetings, but my understanding of the documentation that I have read regarding the outcomes from those deliberations would suggest that the private sector, excluding the canneries, was forever seeking to raise the minimum wages to a much higher level than they were. But it was the canneries in fact who objected to that on the basis of the fact that the impacts of any significant wage increase would have a severe impact on their operations.

Mrs. CHRISTENSEN. Let me turn to the canneries. It has been the impression that the canneries have been the main obstacle to increase the wages over the years. How do you respond to that impression and to Mr. Robinson's testimony?

Mr. BUTLER. We can't help the fact that 50 percent of the private sector is operated by the canneries. It is a competitive arena that we work in globally, and labor is one of the cost significant cost factors in our industry. And this is an area where we will take a position to lower costs to become competitive in the global market. That is basically our position in these Industry meetings.

Mrs. CHRISTENSEN. Well, let me ask this question first. You have—do each of you have canneries in other parts of the world?

Mr. BUTLER. StarKist has a cannery that operates in Ecuador.

Mrs. CHRISTENSEN. How does that compare in size to the one here?

Mr. BUTLER. How does that compare in size in terms of people?

Mrs. CHRISTENSEN. Number of employees.

Mr. BUTLER. I can tell you that we employ close to 2900 people here in American Samoa. I can't give you the facts but I can get that information to you for Ecuador.

Mr. GALEA'I. Samoa Packing is the sole cannery of the Chicken of the Sea.

Mrs. CHRISTENSEN. This is a sole packing?

Mr. GALEA'I. Yes.

Mrs. CHRISTENSEN. How many employees? Do you have companies in other places? You have factories or other than the packing? It is just the packing occurring here?

Mr. GALEA'I. Packing and marketing.

Mrs. CHRISTENSEN. So what is the total number of employees?

Mr. GALEA'I. Two hundred Chicken of the Sea International and 2,000 Samoa Packing employees.

Mrs. CHRISTENSEN. Two hundred and 2,000?

Mr. GALEA'I. Yes.

Mrs. CHRISTENSEN. I am going to let Mr. Faleomavaega take his initial questions and I will come back.

Mr. FALEOMAVAEGA. Thank you, Madam Chairwoman. And I do want to thank Mr. David Robinson for doing such a fantastic job as a President of the American Samoa Chamber of Commerce with the years that he has taken this position. For all these years, Madam Chair, I have always been very critical of the fact that it is very difficult to really get a sense of what the needs are from our business community because our Chamber was not very effective, and let alone even the numbers, let alone even having received any input of their concerns as far as the business community is concerned whenever there are issues affecting the economy of the territory's concern. So I want to really commend Mr. Robinson for his leadership and for doing this for the territory.

Mr. Robinson, how many members are there in the chamber?

Mr. ROBINSON. 62 at the moment.

Mr. FALEOMAVAEGA. How many businesses do we have here in the territory approximately? Stores, well enterprises for that matter. I guess Mr. Paopao can probably give us a number.

Mr. ROBINSON. He could probably give me a more accurate take on that in terms of stores and things like that. In terms of stores, there are 230, I think, and in terms of other business I would say another 100. I would say round figures 400 perhaps.

Mr. FALEOMAVAEGA. Would you say maybe 1,000 business licenses have been issued by the Department of Commerce in terms of business being conducted here in the territory?

Mr. ROBINSON. I don't know that that is an accurate figure, but I would say there are a considerable number of licenses issued.

Mr. FALEOMAVAEGA. And from that only 62 members are involved with the Chamber of Commerce?

Mr. ROBINSON. Yes.

Mr. FALEOMAVAEGA. I know there has been a lot of discussion of diversification. I believe this issue has been with our territory for the last 100 years, the idea of diversification of our economy. And now we come to the point where 80 percent of our entire economy depends on the standing and the livelihood of our two canneries, and you had indicated in your testimony that suggestions as you have offered—and by the way I want to commend the Economic Advisory Council for being visible in terms of looking into areas where we need to do this part of our diversification. I had indicated earlier to the Lieutenant Governor and to the President of our Senate, do you know what our economic priorities are in our government?

Mr. ROBINSON. No.

Mr. FALEOMAVAEGA. Do you know what the priorities are of our government?

Mr. ROBINSON. I know what they should be.

Mr. FALEOMAVAEGA. So when we raise the issues of economic development and what should our $300 million budget that we are under, I am a little confused myself in terms of—the difficulty of my job in trying to determine how I could best compliment, if I know what our economic priorities are.

Mr. ROBINSON. You are quite right and don't think I am being flippant about this. I am not. My response to that would be that perhaps over the years, over the past years and in the past many years, there has been a reliance on the canneries and the government to be the employers of choice here on the island. And there has been a great reliance on the generosity of the Federal government in supplying on an annual basis a quantum of dollars which allows the territory to operate. I would add to that that I think there has been as a result of that the reliance on those three areas. There has been perhaps—how should I say it—simply a lack of attention to a specific strategic development plan. As you said before, there have been many, many economic studies, surveys, reports carried out. And I think that most of them are being filed away neatly in various filing cabinets over the years and never see the light of day.

I would suggest to you once those reports are in existence, I have a chance to have a look at most of them. And those reports have one significant failure, all of them. They are all very good recorders of historical events. They are all very good reporters about a "wish list" of things they would like to see done, but not one single one of them articulates the real opportunities on how those opportunities can be carried out. Not one. So, therefore, in my testimony before hand, I refer to an initiative by the government made last year of the Economic Advisory Council. And we have taken those reports for what they are worth. I have extracted from those reports the relevant sections that apply to the committees we have established in this Council, and there are five of them. And we have used the information from those reports to provide to the chairs of each of those committees as a basis to start the overview of their industry sectors then to perhaps identify some of the areas that can be developed and can be supportive and can stimulate the current economy.

Mr. FALEOMAVAEGA. Your understanding of the declining of the business community here in the territory, who controls the retail industry right now in the territory?

Mr. ROBINSON. I would say that it is controlled predominantly by the Asian community and predominantly in that Asia community by the Koreans.

Mr. FALEOMAVAEGA. How many Korean stores do you think we have now in place in the territory?

Mr. ROBINSON. I think probably over 190 of them.

Mr. FALEOMAVAEGA. Would you say they have a tremendous impact in the economy of the territory?

Mr. ROBINSON. I would say that most of them have their own particular agendas and most of them don't really integrate into the economy. They don't integrate into societies they should. They don't

put back what they should put back given the amount of revenue that they take.

Mr. FALEOMAVAEGA. So that might also play a very important impact on the overall economic health of our territory in that respect?

Mr. ROBINSON. They certainly do. If it was that they were paying the right level of income tax; if it was that they are paying the right level of duties when bringing in goods; if it was that they were doing all other things that perhaps non-Asian companies do, I would suggest that their impact on the economy would be much greater.

Mr. FALEOMAVAEGA. May I ask how many members from our Korean community are members of the Chamber?

Mr. ROBINSON. Of the Asian community?

Mr. FALEOMAVAEGA. Yes.

Mr. ROBINSON. At the present time, there are none. Last year there were, from memory, eight and most of them were Koreans and a couple of them Filipinos.

Mr. FALEOMAVAEGA. So 196 retail stores are run and operated by members of the Korean community and not one is a member of the Chamber of Commerce in this territory. So how are we going to expect to work a real positive economic plan if they are not even participants in the process of developing our economy?

Mr. ROBINSON. Well, as I said, Mr. Congressman, they have their own agendas. They don't want to be part of an organization like the Chamber of Commerce. To them it doesn't offer them any particular value. The only reason why they joined in the first place a year or two back, it was because they collectively thought that the Chamber of Commerce could offer them some assistance when there was a great deal of pressure put on by the immigration on the renewal of work visas.

Mr. FALEOMAVAEGA. Madam Chair, I know my time is up. I will wait for my second round because I still want dialogue with our friends from the canneries. Thank you.

Mrs. CHRISTENSEN. Thank you, Mr. Faleomavaega.

I would like to ask maybe I will start with Mr. Galea'i because you spoke to this in your testimony. For many years now there has been tuna canneries in like Thailand where I believe Chicken of the Sea is owned by Thai Union, one of the largest tuna canneries or second largest and Ecuador maybe in the world which Mr. Butler referred to. And they have done that with extremely low wage rates and little or no environmental regulation. Yet the tuna canneries have continued to stay here in American Samoa where there is environmental regulation and the wages are slightly higher. So there must be some advantage to staying here despite the fact that those low wages already exist and less regulation is there. So could you tell me and Mr. Butler, you can follow up, I am asking this directly to Mr. Galea'i because he mentioned this in his testimony. What are the advantages because they obviously have something? What are the factors that determine your profitability in American Samoa versus Thailand or elsewhere? How does American Samoa measure up despite the other places, but basically I am trying to establish that there must be some advantage to being here despite

the higher salaries that you pay and the more regulations that you have to adhere to.

Mr. GALEA'I. Thank you, Chairwoman Christensen. That is a very good question. The advantage is for the canneries locating to American Samoa in the first place are the Pago Pago port, the fact that we are in the middle of good fishing grounds particularly for albacore, central to tuna fishing grounds. The fact that we have preferential treatment in the United States market although that is under siege by the free trade initiatives by the Bush Administration. Our wages are below the mainland wages. These mixtures of advantages have been eroding because of other factors. The fact of rising fuel costs, again the free trade initiatives NAFTA provides.

Mexico duty free access for canned tuna to enter since January 2008.

Mrs. CHRISTENSEN. The energy costs that shouldn't be a big difference in the factors between here and somewhere else should they?

Mr. GALEA'I. They are about twice. Our costs are about twice what they are in the mainland and even more so what they are in the foreign countries such as Thailand and Asian countries, Ecuador.

Mrs. CHRISTENSEN. Apart from wages?

Mr. GALEA'I. Yes, apart from wages. Our wages are about four to five times higher than our foreign competitors.

Mrs. CHRISTENSEN. What about energy costs?

Mr. GALEA'I. Energy costs are about twice what they are

Mrs. CHRISTENSEN. Twice here?

Mr. GALEA'I.—yes, what they are in the mainland. And that includes electricity and steam that we use for cooking fish.

Mrs. CHRISTENSEN. Do you issue reports annually that would show us the way we can really take a look at these numbers?

Mr. GALEA'I. Yes. We have that information readily available.

Mrs. CHRISTENSEN. Do you have it available?

Mr. GALEA'I. No, I don't have it with me.

Mrs. CHRISTENSEN. I think the committee would like to take a look at that so that we can get a better handle on it, maybe the challenges that you do face or do not face elsewhere as compared to American Samoa.

Mr. FALEOMAVAEGA. Madam Chair, if I may, I think it would be welcome for by both Mr. Butler and Mr. Galea'i to submit whatever records to make it to be part of the records if they could submit whatever information that would be helpful to the committee. Data, facts, and information that will support what we are trying to achieve here under the recently introduced bill H.R. 5154.

Mr. GALEA'I. I will be happy to introduce that information.

Mrs. CHRISTENSEN. Companies have to plan and in your planning I am sure as you project over the years, we've heard a lot of talk about uncertainties, but every company deals with some uncertainties. You have to plan. You have to make projections as to costs over the years, and I would be surprised if an increase in wages was not a part of that planning. And I would be very interested to know what kinds of increases were factored for use in factoring out your plan in going forward. Did you just assume then as you projected what your operating costs might be going forward

if there was no minimum wage increase, or did you assume 35 cents, 25 cents every two years? What did the company use as you planned your expenditures going forward in your business plans?

Mr. GALEA'I. If I may.

Mrs. CHRISTENSEN. That is both you and Mr. Butler.

Mr. GALEA'I. If I may if you are talking about the initial escalator 50 cents, that was an abrupt increase in our labor cost of $2 million. We could not properly plan for that abrupt increase in our cost.

Mrs. CHRISTENSEN. What I am really asking of both of you is you have been here how many years? 50?

Mr. GALEA'I. I have been here much of my life.

Mrs. CHRISTENSEN. But the packing—

Mr. GALEA'I. 13 years with the canneries.

Mr. BUTLER. 13 years.

Mrs. CHRISTENSEN. We realize that 50 cents was imposed and that, of course, was imposed because the wages had not gone up significantly barely, but as companies plan you know future budgets and project growth or changes, they ought to be projecting within that what the cost of salaries would be and what the cost of wages would be. Are you telling me that the company projected over 13 years no increase or 2 percent increase in wages over that time?

Mr. BUTLER. I would like to answer that. Generally, we make a forecast. You look at trends. It is what the trend is for the last previous years that we use to anticipate wage increases. And to prove Galea'i's point, the 50-cent increase was introduced on July 24—maybe to affect—but it did come all of a sudden. And because that is long out that there is 50-cent increases every year, that is obviously an easy forecast for us to make; so it is basically history trends that we look at and anticipate what we see in wages.

Mrs. CHRISTENSEN. Same for you?

Mr. GALEA'I. We've, of course, forecast our costs, and we have the "bean counters," so to speak, and they make the forecasts based on scenarios and how costs are going currently and make projections; so, yes, we do forecast increases and incorporate anticipated increases in minimum wage across the board for our employees.

Mrs. CHRISTENSEN. Well, when the Special Industry Committee meets and ask you for your input, have you ever suggested well because in your business plans and projections, you have projected such and such an increase that the company could really tolerate 15 cents, 25 cents, 35 cents? And have you ever said to the Industry Committee that you can accept a raise more than 2 cents or 3 cents?

Mr. GALEA'I. Our position is that was that we provided the Industry Committee with response to the criteria they were to base whether or not to provide any increase. We provided that economic information to them to make their determination whether what increase was warranted.

Mrs. CHRISTENSEN. Does Chicken of the Sea speak for itself and StarKist speak for itself so you all don't get together and——

Mr. BUTLER. I can't answer that question because I have never been part of the Special Industry Committee directly but past man-

agement, I can make that a request to that question and get a response to you.

Mrs. CHRISTENSEN. It sounds to me as though the projections were based on no increases until the 50 cents came up.

Mr. BUTLER. Can you repeat that please?

Mrs. CHRISTENSEN. What I am hearing is that there was never any consideration that wages would increase with the projections of business planning of the companies moving forward, and I find that would be between 1990 and 2000. Now correct me if I am wrong. Between 1990 and 2000, did you forecast any increase in wages, or were you just confident based on past years before that Industry Committees would never raise the wages and so your own projections did not include any wage increases at all?

Mr. BUTLER. And to answer your question that we looked at previous increases in the past and we used those increases as a trend to forward forecasts or projections. You have to project some sort of increase, and with the 50-cent increase that went into effect on July 25th that was definitely not in our projection but will be now since it is locked.

Mr. GALEA'I. If I may add, we Samoa Packing has provided performance-based increases to our employees, and it was based on meeting performance goals that could pay for the increases. So yes, we have had a voluntary hand performing wage increases during that time frame that you mention 1990-2000, and we have forecasted increases in labor costs as well as all the other cost factors based again on trends.

Mrs. CHRISTENSEN. What level of increase? Could you give me an example? How much of an increase based on the performance, and how many employees, other than 2,600 or so, might have met those performance standards to get an increase?

Mr. GALEA'I. The performance increase is more across the board increases of the same amount, the same percentage of increase across the board. And it was offered to our employees, and they were made aware exactly of what performance goals had to be met and what time frame they had to be met and when they were met.

Mrs. CHRISTENSEN. When was the last year that it was done?

Mr. GALEA'I. I believe and my recall may be in error. I believe it was 2003, 2004.

Mrs. CHRISTENSEN. And so that was done internally, but was there ever a time that a wage increase was recommended to the Special Industry Committee by either company?

Mr. BUTLER. I can get you that information from StarKist. Again, I wasn't part of this special committee but I can look it up for you and let you know.

Mrs. CHRISTENSEN. We would ask for that information as well.

Mr. GALEA'I. Same for me, please.

Mrs. CHRISTENSEN. Mr. Faleomavaega?

Mr. FALEOMAVAEGA. Thank you, Madam Chair.

I certainly don't intend to want to make Mr. Butler and Mr. Galea'i feel uncomfortable. In terms of the questions that are being asked, please they are not in any way a personal attack on both of you. We know that you do your job to the best of your abilities; so please bear with us. We are just trying to get some answers here.

You noted that in the Department of Labor's report mentioning that somebody from the tuna industry had mentioned that if there was a possibility or the situation as whether or not the canneries were going to leave and the response was in minutes. And I wanted to know from both of you gentlemen that if there was some indication that it seems to imply that the canneries are going to leave not necessarily because of any love or compassion for the Samoa people but it is a matter of profit; and it is a matter of losses in terms of having to pay dividends to your stockholders. And that is absolutely understandable in those terms. But I would appreciate maybe if you could clear for the record that you really didn't mean that you are going to leave in minutes just for the record because I don't think that really it was the intent of the response and the report did not say who exactly in the tuna industry they met with or contacted but the response was you guys were going to leave in minutes. Could you clarify that?

Mr. BUTLER. Congressman Faleomavaega, obviously it was meant with no disrespect to Americana Samoa and the people of American Samoa but in the business that we work in, again, the term "in minutes"—there are a lot of connotations one can look at—but there is extra capacity elsewhere, in Thailand particularly. And all it takes is a matter of communications to these other canneries to say, "I cannot produce 100,000 cases here because of costs. Move it to Thailand—have it produced." That is simply the message of how quick or how easy it is to move volumes out of American Samoa into a competitive low-cost country.

Mr. FALEOMAVAEGA. Mr. Galea'i?

Mr. GALEA'I. Thank you Congressman.

Mr. FALEOMAVAEGA. Could you please speak a little louder?

Mr. GALEA'I. Thank you very much, Congressman. I have no statement to that because I didn't make that statement.

Mr. FALEOMAVAEGA. Well, leave it at that. I realize that the tuna industry has spoken, and you have indicated that it is a real competitive situation. Now I used to brag for years that we have the largest tuna canning operation in the world. No longer. I just met with the Chairman and owner of the Thai Union company which owns Chicken of the Sea Samoa Packing. The canneries they have there alone in Thailand employs 20,000 employees. That is four times more than the workforce that we have here in American Samoa. So I fully recognize the competitiveness of the market given the fact it is no longer just American Samoa and Puerto Rico previously. We have approximately 20 countries competing for the exporting of tuna to the United States. The U.S. is the largest consumer market in the United States. There is absolutely no question that the presence of our two canneries is the very base foundation of our economy; and I think the concern, as everybody has all been worried about the fact that if in fact the canneries do plan to leave, I believe the total investment facilities StarKist has is about $70 million, and the investment the StarKist has made in the facilities and everything. What is the dollar value of StarKist as far as the facilities are concerned?

Mr. BUTLER. I can get you that information, Congressman. I can try to get that for you.

Mr. FALEOMAVAEGA. Can you submit that for the record? Mr. Galea'i, can you do the same? What is the value of Samoa Packing with all the money, the millions that you put in to make this a better operational facility for our workers.

Mr. GALEA'I. Congressman Faleomavaega, let me just clarify what—COS Samoa is the only cannery of the Chicken of the Sea. The Thai Union, which owns Chicken of the Sea, yes, has quite a few canneries in Thailand and is the largest tuna processing entity in the world.

Mr. FALEOMAVAEGA. Well, thank you.

Mr. BUTLER. I would like to add, Sir, that StarKist Samoa is the largest single producing cannery in the world.

Mr. FALEOMAVAEGA. All right. I am not going to argue with you. Gentlemen. The process of pouch packaging, as you know, is a new system where tuna is no longer canned; but the tuna now is going to be put in pouches, which is a very labor-intensive form of packaging tuna. I want to ask you both, are StarKist and Chicken of the Sea going to be doing pouches here in our territory?

Mr. BUTLER. Sir, we have already been producing pouches. We've been producing pouches for our U.S. military. We actually produce pouches for our soldiers in Iraq, and we are continuing an investment that is looking closely at the minimum wage, where this is going, for expansion of pouch. So we have capabilities currently, and we are looking at potential expansion efforts but are looking at the economic feasibility of these investments at this time.

Mr. FALEOMAVAEGA. Mr. Galea'i?

Mr. GALEA'I. Yes, similar to Brett's and Del Monte's plans. Pouch represents a very small portion of our business.

Mr. FALEOMAVAEGA. What is the total dollar value of the amount of canned tuna that we exported to the Unites States last year? Both canneries?

Mr. BUTLER. I can't really give you that information right now but I could again yeah

Mr. FALEOMAVAEGA. Can you submit that for the record?

What about two years ago? Do you have any knowledge? I just want to make sure I get my facts correct. Wasn't it somewhere around $500 million in gross sales and the cans that we export

Mr. BUTLER. I have no clue until I can get that information to you, Sir.

Mr. FALEOMAVAEGA. Both canneries, can you submit that for the last 5 years? The total dollar value of canned tuna that we exported to the United States in the last 5 years. And gentlemen, would it also be possible to suggest what is the total dollar value of the amount of canned tuna that we exported in the last 50 years? Can you supply that for the record?

Mr. GALEA'I. We'll, certainly try. As you know, we've gone through different owners in that 50 years.

Mr. FALEOMAVAEGA. I know. I know.

Mr. BUTLER. It would be difficult. I would say that.

Mr. FALEOMAVAEGA. About ten years ago and I am going to work on this with the Library of Congress to assist me through the Congressional Research Service. The last time, I think, the amount—it was over $40 billion worth of canned tuna that this territory ex-

ported to the United States during a 30-year period. So I just wanted to share that with you.

Tax incentives: I think our canneries have been receiving tax incentives ever since we started. Let's say the last 40 years maybe from the local government? Is that still in place?

Mr. BUTLER. Yes. We are currently under tax exemption with the American Samoa Government.

Mr. FALEOMAVAEGA. And these tax exemptions have been renewable every 5 years or 10 years?

Mr. BUTLER. Our exemptions expires in April this year.

Mr. FALEOMAVAEGA. And you are negotiating now another exemption?

Mr. BUTLER. We will be, Sir.

Mr. GALEA'I. Let me clarify. Samoa Packing, formerly Van Camp Seafoods, was under partial tax exemption. Partial tax exemption and it was structured on a progressive, the more profits we make, the higher tax rate, the lower the tax incentive. So I just want to clarify that.

Mr. FALEOMAVAEGA. I also want to clarify something for the record for both of you gentlemen. Mr. Robinson, I will get back to you.

In no way am I ever to imply or to suggest that our two canneries should not be making a profit. That is what business is all about, absolute supporter of the business community. This is where economic growth is to be given and to have our people depend less on employment with the government but with private sector. I think this is what our Governor, our leaders, and government are advocating very strongly. So I just want you both gentlemen to know. Don't misunderstand or think that I am against the presence of our canneries. Absolutely not, and I guess as you may have heard our Lieutenant Governor say earlier, the only problem I have with our friendly canneries is that I don't know what marginal profit you are operating on so that that way, perhaps, it will make it more reasonable for the government or the leaders to say well maybe this is how we should work out a minimum wage that is reasonable based on the margin of profits that any business will operate on, I suppose. And knowing that both canneries, Mr. Galea'i, as you know, last year I was under heavy attack. Chicken of the Sea was the first company that came out with its intention to lay off 200 workers, and I had to personally go to San Diego and have a real double edge argument with the top executives of Chicken of the Sea because they were making presumptions that were not based on what we are trying to do under the provisions of the Federal law.

If I might ask both of you, have there been layoffs from the canneries since we implemented the 50-cent increase in wages?

Mr. BUTLER. I can tell you we've been hiring more people as a result of pouch expansion actually went into the effect prior to the 50-cent increase. So we have been gearing ourselves up for those new opportunities that we are bringing into StarKist Samoa and American Samoa. But more importantly, and I can probably speak for Pete and Kosey that the canneries, it is a manufacturing business and you need to produce the volumes to offset the high fixed costs that we have. It is very labor intensive; so to lay off people

means you are going to reduce your volume in a sense. It is not an effective way to run the business we are in particularly with fish.

Generally, the smaller the fish, the more labor you need to get the volume out. The fish sizes we experienced in the last two or three years here have gone smaller which require more people, and that is the challenge StarKist Samoa faces and I am sure Chicken of the Sea faces as well.

Mr. GALEA'I. If I may add, Brett is correct about the realities of our business. We are only able to offset, not completely, the $2 million increase in labor costs by increasing volume. But there is a ceiling to that. We are at that ceiling. We are at maximum capacity. Another additional increase we can't utilize the same economy of scale benefits that we prevail for the first increase because we are at maximum capacity right now.

Mr. FALEOMAVAEGA. Thank you, Madam Chair, for your patience. And I want to say this to Mr. Robinson. I want to say this for the record. I am utterly disappointed for the lack of any sense of interest and participation for the members of our business community, the Korean business community, and our Chinese business, and Filipino business community for showing any sense of their presence because the fact is millions of dollars are also just as much involved in the economy. We talk so much about the 50-cent increase but that is only one portion out of the overall picture of the economy knowing exactly if the revenue is collected. I hope, Mr. Robinson, we are probably losing $20 million a year in not collecting revenue amounts that seems to disappear or not be getting by our local government to address some of these issues about wages and the sort. But I again, if I have a couple more questions, but Madam Chair and I want to thank Mr. Robinson again. I think the Chairwoman has more questions.

Mrs. CHRISTENSEN. I have a few more. Thank you, Mr. Faleomavaega.

Mr. Robinson, I wanted just to go back for a moment to ask to your knowledge, has the Chamber ever recommended any increase to the Industry Committee? You said you have not participated but would the Chamber be asked for recommendation; and if so, has the Chamber recommended an increase at any level in minimum wage?

Mr. ROBINSON. Thank you, Madam Chair. I think it is true to say that in the years gone by, the Chamber was a member of the committee looking at biennial wage increases. I am not sure. To be quite honest with you, what sort of recommendation the Chamber put forward or whether they just went along with the general feeling and the recommendations of the committee. In last year, I think there was another one of the biennial committee meetings due to take place, at which the Chamber was going to be represented, and I was going to represent the Chamber. At that time we were certainly, through the Chamber, planning to take a fairly aggressive stance on the question of increase of minimum wage.

Mrs. CHRISTENSEN. Aggressive stance?

Mr. ROBINSON. In terms of trying to raise it.

Mrs. CHRISTENSEN. Trying to raise it. Did you have a particular amount in mind?

Mr. ROBINSON. No. We were overtaken by events.

Mrs. CHRISTENSEN. But prior to the events overtaking you, were you going to suggest a specific amount?

Mr. ROBINSON. No. We were in the presence of our review at the time so we haven't gotten as far as that I am afraid.

Mrs. CHRISTENSEN. Mr. Butler, in your testimony you talk about biennial review by the Department of Labor, Department of the Interior, and the American Samoa Government. Are you putting that forward as a preferred method of deciding on wage increase to the Special Industry Committee?

Mr. BUTLER. Not to the Special Industry. You mean versus Special Industry?

Mrs. CHRISTENSEN. Yes.

Mr. BUTLER. No. It seems like legislation that is already out there appears to be that the Department of Labor's involvement, and we think the two years is a prudent time frame to understand the effects and to get the government involved with the Secretary of the Interior I think would be fair as well as community members in American Samoa's territory. But it wasn't in a sense to say versus the Special Industry.

Mrs. CHRISTENSEN. So you were using what was in the legislation in making that statement?

Mr. BUTLER. Exactly.

Mrs. CHRISTENSEN. It is about—but you wouldn't, so you are not opposed to continuing this Special Industry Committee, or do you think one is a better

Mr. BUTLER. I think the Special Industry Committee provided a democratic approach. You are hearing from different views. I believe it would make sense that the Department of Labor's involvement—probably better background statistical analysis of the economic situation on island would be of benefit. But I think in theory the Special Industry approach is supporting because it is well-rounded. It is democratic. You get to hear views from a lot of people from a lot of different perspectives.

Mrs. CHRISTENSEN. You don't feel that there is a greater ability to control the outcome by one industry or another or the business community that counts, and the Special Industry Committee versus the departments?

Mr. BUTLER. If there is a perception that the tuna canneries are controlling the committee, that is false. It seems like the lines of questions are heading that way. It is not.

Mrs. CHRISTENSEN. If any one industry feels that they might be mostly more impacted by another, wouldn't they be able to exercise more influence over the Special Industry Committee?

Mr. BUTLER. I think everyone gets hurt equally. I can't see how one would—you know, the canneries are again the biggest industry. I mean it is looked at as the big boy on the block but I think the special industry approach is everyone equally. And the decision is made by a panel that is I think well-rounded. So that is I think my view on that. But I would like to add I haven't been directly participating into the Special Industry Committee's hearings, but again that is from my perspective.

Mr. FALEOMAVAEGA. Chairwoman, may I——

Mrs. CHRISTENSEN. Sure.

Mr. FALEOMAVAEGA. Because the question is very important. I have been personally involved in the Special Industry for years, and I would say right now for the record, I do not support the structure and the way the Special Industry Committee was set up. My concern was that we had representatives from the government, representatives from the business industries, but there was no one representing the workers. And I dare say probably all the workers there at the canneries are afraid to come up and testify before the committee for fear of their jobs. Now I know with all due respect to Mr. Butler, understandably it is nice if it is done in an ideal situation but it is not. And I dare say I want to say I will not support any Special Industry Committee as it has been done, one. Second, I think a neutral agency like the Department of Labor—what they need is data and information. That is what is the problem here, and I think if we can make sure that the Department of Labor with the Department of the Interior working together come up with a comprehensive economic study for the territories of American Samoa and CNMI, then we can get a better gauge exactly what type of minimum wage we should be given.

The Industry Committee, Madam Chair, may I also note the fact we had 18 separate different minimum wages. Unheard of in America. When you have one minimum wage, it should go to everybody if you are flipping hamburgers at McDonald's and digging ditches, that is a minimum wage one. This is the only territory that has 18 separate minimum wages. Unbelievable how they come up with this. I just want to note that, Madam Chair, I didn't mean to interrupt but with due respect to Mr. Butler's statement, I will not support any Special Industry Committee because in my humble opinion, it did not speak well enough for the needs of our workers.

Mrs. CHRISTENSEN. Well, I should have asked Mr. Robinson before Mr. Faleomavaega jumps in what his opinion was of having a Special Industry Committee versus Department of Labor, Department of the Interior, and the Government come together to make that decision?

Mr. ROBINSON. Thank you, Madam Chairwoman. It is a difficult question to answer directly because there is a number of different angles to this. One of the things many companies in the private sectors, excluding the canneries, and let's talk about the private sector excluding canneries excluding government, one of the things that we at the private sector do is to pay our people for what we think is a reasonable amount of money. We are not governed and controlled by the minimum wage necessarily although it might be a benchmark on which to use for paying some of our workers at the bottom end of the scale. But generally speaking, we would like to set up a wage that we feel comfortable with in terms of providing that worker with the right level of wage for the type of job that the type of person is doing. So, therefore, when this first 50-cent increase came around, there were quite a lot of companies who were able to manage the situation quite well because it didn't affect a great number of their stock.

Second thing about it is too if it was the company had a lot of workers at the bottom end of the scale and their wages were increased by 50 cents or whatever it was, this has a compression effect on the rest of the staff and company. This is something which

is of great concern to the private sector. You are gradually pushing wages lower pay getting closer to the higher pay so what do you do? The higher pay turns around and say well the gap between us now is not as great as it was before. We need ours to be increased as well, too. So suddenly you find in the private sector you have an enormously big wage built. So to come back to the original question, the question of Industry committees, plus I think they are important. They don't necessarily have the sort of bearing on the private sector perhaps they would have on the canneries or on the government which individually employ larger amounts of people.

Mrs. CHRISTENSEN. Thank you.

Mr. GALEA'I. Excuse me. May I respond to your question?

Mrs. CHRISTENSEN. Sure.

Mr. GALEA'I. As I have been involved with the Special Industry Committees, both as a member of the Chicken of the Sea Samoa Packing Company and as Director of Commerce—formerly the Department of Planning and Economic Development—I am very familiar with the procedures. And I agree with Mr. Butler. I believe the Special Industry Committee provides you with a community based forum that was identified—representatives of the Department of Labor, employee-employer, and industry. That as an alternative to a Federal agency dictating what our appropriate wages in American Samoa, approximately 5,000 miles away, I believe that it is, you know, to me doesn't make sense, OK. The Special Industry Committee is a much more representative, responsible forum to make determinations on appropriate minimum wages. As far as Congressman Faleomavaega's perception that there was not adequate input from the employees, all I can say is the hearings were open to all employees as well. And I just want to say many of the employees at Samoa Packing, most likely at StarKist, are very aware of the fact that we are constantly looking for things to save costs to keep our footing on being competitive with the low costs. So, they are very appreciative and they understand that our primary objective—although we would like to increase wages, too, and be able to pay for them—our main responsibility is job preservation, viability preservation. And I strongly would like to discuss with you, Congressman, the Special Industry Committee—perhaps you would consider at some point.

Mr. FALEOMAVAEGA. May I respond to that, Madam Chair?

Mrs. CHRISTENSEN. Yes.

Mr. FALEOMAVAEGA. I appreciate Mr. Galea'i's statement and listen, that is great. I appreciate your concern but I would just like to comment on your statement that you are against a Federal agency dictating what the wages should be for American Samoa. With all due respect, the Congress is the one that sets the law for the entire nation. And this is what the minimum wage is going to be for America. Now, we are making exceptions for that. And one of the things that is very difficult for me, especially when I meet with my Republican friends is what are you being an exception? I have 30 percent unemployment in my district. Jobs have gone overseas and all of this stuff, and American Samoa is given a break but not given the minimum wages they should be with all other states. So I am confronted with that predicament, but I would say to my good friend Mr. Galea'i to suggest that the Federal agency is dictating

this, what I am saying is the Department of Labor is the best source of person or agency that could give us a comprehensive economic study. And in addition to that I might also note I am not an economist. When you look at wages, the fact of the matter is we have no unions in our territory, Mr. Galea'i, teachers' union, government employees' union, cannery workers' union, nothing. So who do our workers have to depend on for speaking on their behalf in terms of what should be the proper minimum wage no, no. Now with all due respect and this is not being critical of the fact that our CEO of Del Monte gets paid $2.6 million in annual salaries or the previous owner of StarKist, but I meant Del Monte's $2.6 million-plus bonuses. And then previous owners of StarKist Heinz Corporation, the CEO of that corporation was paid $65 million per annum in salaries. Maybe I am just too simple in my outlook in saying, with such tremendous executive pay that come in from the top executives of the corporation, to suggest that our working people here do not deserve a raise. I might also mention that this raise has been the biggest that it has ever had in the history of American Samoa. When was the last time we had a raise with the Special Industry Committee recommending 10 cents an hour? I have never heard it or even 15 cents an hour. But 2 cents an hour, it is OK; 3 cents an hour, it is OK. But now we've gone up to 50 cents an hour, I would like to ask the two gentlemen what is the cost now of our two canneries because of the raising of 50 cents per hour salaries for our cannery workers? I am curious. How much do the two canneries spend with this increase for the cost of our workers there in the canneries? Do we have a figure on that?

Mr. GALEA'I. I mentioned that it was an additional $2 million cost.

Mr. FALEOMAVAEGA. $2 million?

Mr. GALEA'I. $2 million to Samoa Packing.

Mr. FALEOMAVAEGA. Now I would like to ask our Director of the Department of Commerce, Mr. Paopao, how much was this cost to ASG for government workers on account of this 50-cent increase on the minimum wage?

Mr. PAOPAO. For the first increase is zero.

Mr. FALEOMAVAEGA. It did not cost ASG workers anything?

Mr. PAOPAO. No.

Mr. FALEOMAVAEGA. Thank you, Mr. Paopao. I was just curious about it.

I'm sorry, Madam Chair.

Mrs. CHRISTENSEN. A few questions. Let's see. I want to go over some of the reasons why the canneries have said they cannot afford minimum wage increases, and Mr. Robinson spoke about when you increase at the lower paid level of employees at 50 cents up, you have to probably increase those above them because the gap begins to close. But both of you have different wage rates for your hourly employees depending on the kind of work that they do. What are the hourly wages at the top of the wage scale? There is going to be a follow-up. Dis those wages go up in the last year or two, and how much did they go up?

Mr. BUTLER. Without getting too specific, because I don't have that data in front of me that the 50-cent increase, the initial 50-cent increase compressed the wage categories in StarKist Samoa.

Mrs. CHRISTENSEN. It compressed?

Mr. BUTLER. It compressed the wage pay categories in StarKist Samoa, so meaning same example as David Robinson, that we had a pay grade category of 17 separate pay grades. The law affected minimum wage earners so that 17 pay-grade system went down to 15 pay grades in that. So, we've compressed it as a result of trying to look to offset the minimum wage earner.

Mrs. CHRISTENSEN. What I am trying to get at—testimony has been given by either or both companies that if you increased at the lower levels, you have to increase everybody. And I am trying to ascertain—

Mr. BUTLER. That is not necessarily true.

Mrs. CHRISTENSEN. Not necessarily true?

Mr. BUTLER. No.

Mr. FALEOMAVAEGA. The increase was just for those starting pay at minimum wage?

Mr. BUTLER. The law expressed the minimum wage earners.

Mrs. CHRISTENSEN. I am not really referring to the law but I think that there was testimony somewhere that if you increase the minimum wage for those of lower level that you have to increase it—it should also be noted that it is policy of the StarKist Samoa to apply to all grades any percentage increase applied to the minimum wage and which as I understand it that means if you increase the minimum wage, everybody else had to get an increase. What I am trying to get at is, have there been wage increases at the upper level that have not been passed down across the board? I mean, does it work both ways—if you raise it at the lower level and everybody has to get an increase; if you increase at the upper level then you also increase across the board? And have there been any increases at the upper levels of the wages?

Mr. BUTLER. As a result of the 50-cent increase?

Mrs. CHRISTENSEN. No, not as a result—say before July, did StarKist and Chicken of the Sea say they had not provided—based on the fact that if you increase for some, you increase for all. Can you tell me say in 2006, you did not increase anyone else's wages because you would have had to increase everybody else's?

Mr. GALEA'I. If I may answer this. In increases, minimum wage increases and performance based increases that I mention earlier, the proportion or percentage of increase was applied across the board and that was to maintain the integrity of wage differentials and classification system. We have not been able to do that with the last 50 cents because of the significant increase, but we did have compressed wages similar to StarKist Del Monte. We raised, of course, the minimum wage by 50 cents and then provided increases of 15 cents to 25 cents for all the other classifications. We went from 12 classifications to 9 classifications because of the compression. I will say that whenever you do compress your wages, you have moral problems because wage differentials no longer represent the skill differentials that are inherent in your classifications system.

Mrs. CHRISTENSEN. So—

Mr. BUTLER. It is basically what we do. When you increase the minimum wage earner a certain amount, you are not going to necessarily give everyone across the house the same increase, but

there is a certain increase that is given with the same idea to reflect job responsibilities scale level that we separate when we classify the pay grade level.

Mrs. CHRISTENSEN. So when you increase just as Mr. Galea'i, he said they increased across the board by the same percentage. If you had given increases at the top that applied to StarKist at the top, you increase by the same percentage increase?

Mr. BUTLER. Not necessarily. The increase will be taken but not necessarily the same increase to the minimum wage earner.

Mrs. CHRISTENSEN. So really we can't use that statement against an increase in the minimum wage that an increase in the minimum wage will have to apply to everyone across the board?

Mr. BUTLER. That is correct.

Mrs. CHRISTENSEN. To strike that from StarKist testimony in 2005. There is two other areas that I would like to try to clarify because the Department of Labor apparently spoke to the Industry Committee even though they didn't speak to government officials because they have some quotes in their report that refer to what the companies told the Department of Labor. The consumers choose their tuna based on price, and it is really little or no brand loyalty. I don't know who said that, or is that your experience? Do you stand by that statement? There is no brand loyalty that people choose by price.

Mr. BUTLER. Do you eat tuna, Ma'am?

Mrs. CHRISTENSEN. Yes, I know how I choose my tuna.

Mr. BUTLER. How do you choose it? By price?

Mrs. CHRISTENSEN. Not by price. But I am saying this is what the canneries—I don't really maybe Del Monte said that there is no brand loyalty. They choose it based on price, and this was to say that increasing the minimum wage would increase the price and make them less competitive. Yet in another statement to the SCC they said that their brand is everything. And those two statements are inconsistent. Brand name, recognition in the product, quality associated with our brand are key factors in the success of our products, that was what was said to the SCC but when it came to the DOL report, it was a different story.

Mr. BUTLER. I can't speak for those who made those statements depending on the conditions it was said on and the exact questions that were asked. There is in fact both parts a lot of price driven on your commodity items. It is definitely price driven but your higher priced item, for instance pouch, that is more it tends to be more loyalty there with higher priced tuna items.

Mrs. CHRISTENSEN. But let me just—let's cut through the basic question. Mr. Galea'i and Mr. Butler, what is the most important for the company? Brand or the price in terms of your competitiveness?

Mr. BUTLER. It would be price.

Mrs. CHRISTENSEN. Price?

Mr. BUTLER. Price.

Mr. GALEA'I. Tuna is a price driven commodity basically.

Mrs. CHRISTENSEN. I never look at the price. I look at a brand I know.

Mr. GALEA'I. I wish all our consumers were like you.

Mrs. CHRISTENSEN. I figure they're all probably cost close the same. I mean I am not going to buy any no-name brand because it costs less. I am sorry.

Mr. GALEA'I. Can you tell us whether you prefer Chicken of the Sea or Del Monte?

Mr. BUTLER. We have a profile with people.

Mrs. CHRISTENSEN. Some of the stores sell some and some stores carry the other but you are one of them. Let me ask this other question. Do you foresee either of your companies going through the process of calculating, or maybe you have done this already, when you are going through calculations to determine what level of wage increase can the company sustain it? It has been said that if it goes up another 50 cents in May, other options are going to be considered. And maybe some options have been considered already. Do you foresee the companies going through that kind of a process where you say we can sustain this kind of increase every two years, or have you already done that and if you go through that process which I imagine you will if you have not already, would you see sharing that with either the Department of Labor and the Department of the Interior and the government if they are going to be the deciders or Special Industry Committee? Would you share those projections as to what you could sustain as an increase because obviously the cost of living is going up and people have to be able to meet the cost of living to provide for their families. So do you foresee going through that kind of assessment? And do you see sharing that?

Mr. BUTLER. If I had a crystal ball to tell you that, I would give you that answer, but the fact of the matter is we are right now looking at potentially moving some volumes into Ecuador as a result of the 50-cent increase that is projected in May. So there is a debate going on as we speak right now, and we consider these things dynamically. There are a lot of costs and pressures not only in wages but in the taxes, the economic climate of that environment we operate in; so it is an ever moving variable here that we are looking at. I can't tell you what number it is because I don't really know.

Mrs. CHRISTENSEN. No. I don't expect you to know but I was just asking, do you foresee the company going through that process and saying, well we can sustain another 20 cents in two years or maybe another 20 percent. And this is as much as we can tolerate to keep our companies profitable here in American Samoa?

Mr. BUTLER. It is difficult to assess that because of other cost pressures that you don't know where they're going; you don't know the duty free advantages in other countries; where that law or potential law is going. So it is a variable assessment to make. But I could say we are looking right now and we are trying to be as competitive as we can with the current situation that we are facing at this very point.

Mr. GALEA'I. Chicken of the Sea American Samoa Packing Company is currently looking at the increased cost for the next escalator. And as Congressman Faleomavaega actually stated, we have a lot of tuna capacity in Thailand, and we are always competing with whether or not we can provide a competitive edge.

Mrs. CHRISTENSEN. How much weight is given to the fact that you are in a U.S. territory, a stable country, and maybe because you are here you have the opportunity to market to the military? It seems to me that that would carry a lot of weight in the decision-making processes.

Mr. GALEA'I. You are correct, Chairwoman Christensen. The fact we are a domestic, the last domestic cannery for Chicken of the Sea has value, and again our duty free preferential treatment into the U.S. market certainly is another factor but when you combine all other costs going up—fuel, shipping—and the fact that duty free is being extended to or is planned to be extended to our competitors, it weighs against the benefits of being able to provide a pouch for the military or the USDA. And that part of our business is not a major part of our business as well, but we certainly want to hang on to it. I can say that Chicken of the Sea lost money in 2006. We had a marginal year in 2007. The additional increase in the next escalator would be very difficult in trying to offset that increasing production because, like I said, we are at maximum capacity. So the owners of Thai Union will review what are the options and that will include the transfer of production to our Thailand canneries. And any time you have transfer of production, the economies of the business become exacerbated, such as the ability to meet overhead costs, and are further eroded. It is a vicious circle. So we want to maintain a certain level of production capacity to be able to sustain the operations here in American Samoa.

Mrs. CHRISTENSEN. Last round of questioning.

Mr. FALEOMAVAEGA. I just want to ask Mr. Robinson the current status of our Samoa Advisory Economic Council. What are its plans? Has the Council made some firm recommendations? I know you presented several areas—I think maybe a part of our diversification system—but I am just curious—where does the Council's activities go from here? I guess primarily it just serves to advise the Governor, right?—not necessarily the Legislature? Is it just an effort to develop the Administration's position in terms of what its economic priorities will be or should be?

Mr. ROBINSON. Thank you, Congressman. Yes, it is. I think it is true to say since the inception of the Economic Advisory Council, which was at the end of November last year, we've made a lot of progress in identifying the various industry sectors that we have divided the council up into. We have identified a lot of new business opportunities. We've only been at it for a couple of months, and it is a little bit difficult to come up for an instant fix.

Mr. FALEOMAVAEGA. Are you under some kind of a deadline to say this certain time you are going to make some kind of recommendation, or is this going to continue on? I just want to know where the Advisory Council goes from here in terms of its activities. The bottom line I really am trying to get from our government is what are our economic priorities? And thus far, I have yet to find a resolution or statement unified form by Legislature, Governor endorsing it. What are our economic priorities?

Mr. ROBINSON. Let me tell you. As far as we are concerned in the Council, we had a mandate issued by the Governor which lasted for two years to produce a set of policies, plans, and strate-

gies to improve the economic conditions of the territory. And that was broad in the mandate, and that is for a two-year period.

Mr. FALEOMAVAEGA. I don't know if you had a chance Mr. Robinson to review the report of the American Samoa Economic Study Commission. My fear if we're not duplicating the very recommendation and things of this commission had recommended five years ago, are we repeating the wheel trying to come out with something firm? Not to say we dealt with tourism, we dealt with all this, but still no absolute definition—I am sorry definition of where exactly are we as far as our priorities are concerned.

Mr. ROBINSON. Thank you, Mr. Congressman. I was about to add that we have adopted a totally different approach in this Council. And once we have a mandate which lasts for two years, I have made it very clear as is my Co-Chair in the Council that we do not wish to be another committee, another council which produces a nice glossy document at the end of the two-year period. And by that time, most of us won't be in business, especially the way things are going. We don't want to do that. So we decided to accelerate the situation. We meet every month. We were not mandated to do. We were mandated every quarter but we have met so far every month. We have divided Council members up into five committees, and we have made an awful lot of progress in identifying in those five committees which comprise agriculture and fisheries——

Mr. FALEOMAVAEGA. I know my time is limited. I didn't mean to cut you off. The word in Washington is that if you want to know your priorities—if tourism is our priority—how much is being allocated of the $300 million budget we are operating under in tourism if tourism is really a serious priority? You have had a chance to review the budget of the territory?

Mr. ROBINSON. I am sorry the time is running short. Perhaps we can extend the time because these issues are very important. I think it is very vital that we have a chance to explain our opposition particularly in this question of economic development. If I may continue for a little bit with your indulgence Madam Chairwoman. I know we are over the time but I would just like to explain a little bit further if I may what we are doing and what we are trying to achieve in terms of this economic development issue. We have divided the Council up into five separate committees—Agriculture, Fisheries, Light Manufacturing, Policy Reform and Privatization, Education and Work Force Training, and Recycling, Environment, and Tourism. And in each of those areas, the chairs of those committees are being tasked with providing for the Council co-chairs before or by the 25th of March next month a firm focus on what they think they can achieve in those particular industry sectors and how they propose to achieve it. As I mentioned before in most of the other reports that have gone on before, those two issues were not addressed. So we are making progress. There is no quick fix to the economy but I think by the time we have finished our first report, which I am going to put to the Governor by the end of April, it will identify the priorities. It will identify the issues, and it will also identify a number of issues that the Governor has to attend to in terms of policy reform in order the economic development can go forward. A policy reform not the least of which is our tax policy which is an inhibitor toward economic development.

So we are addressing those. We are closely working with DOC to provide a meaningful, and the emphasis is on meaningful, document which will articulate the sort of issues that you have been talking about—and perhaps some of the issues that have been overlooked or glossed over in the past. So I think I can safely say by the end of April, we will have a very meaningful document in the hands of the Governor. One thing I would like to say and it may be just a little bit irrelevant, Madam Chairwoman, but we are doing this under the shadow of the potential of the canneries leaving. Time is not on our side at all, and you have heard the testimonies from both canneries that if they had another 50 cents put upon them and their wage goes up by $2 million or so odd dollars, they will think very seriously about their future. Unfortunately, we cannot afford the luxury of time. We cannot afford for the canneries to pack up and leave or even to scale down. We need them to be here until such time as my Council and the Department of Commerce and the other people who are working on the economic development issues can start to encourage new industry, new developments to come in, and either support the existence of canneries in our economy, or to fill the gap if they decide to scale down and leave.

So from the private sector, I feel very, very strongly, very strongly indeed that Congress no matter which committee is involved and all others involved must support our Congressman in having this escalator clause removed and removed quickly because the next 50 cents goes on the 25th of May. And if it does that will accelerate the canneries' potential for doing something fairly quickly and exiting here altogether, and we just cannot afford it. We need more time, and we need your help through your committee to help us to gain this time.

Mr. FALEOMAVAEGA. Thank you, Mr. Robinson. I know my time is up. Very quickly if I could ask our Director of Commerce, Mr. Paopao, if he could submit for the record a breakdown of the workforce that we have among the workers in American Samoa Government, not names but just numbers in terms of who's getting a certain pay grade in terms of how it is being currently structured. And I would really appreciate if Mr. Paopao can submit that for the record.

Mr. PAOPAO. We have the information available in the insert.

Mr. FALEOMAVAEGA. OK. Thank you.

Also the two friends from the canneries do likewise. Submit a breakdown just where the curve is as far as the wages and salaries of our workers in the canneries. No names just the numbers just to kind of get an idea how it is being done.

Madam Chair, I want to personally offer my apologies to Paramount Chief Galea'i. I read recently in the newspaper that he offered a very interesting proposal about the terms of a recent case by the Ninth Circuit Court, and a dear friend and now a member of the Supreme Court of the United States. Justice Anthony Kennedy is a dear friend who rendered that opinion. I want to assure that because our time is way over, I want to assure that his suggestions or recommendations are definitely noted by this member. And we will definitely follow up with the issues, and I do want to thank you for that.

Madam Chair, I cannot thank Mr. Butler and Mr. Galea'i enough for their patience. Thank you so much. And I just want to say my best to Mr. Robinson for his being so articulate and also understanding what the situation we are faced with in this territory.

Mrs. CHRISTENSEN. I have just two very brief questions to Mr. Galea'i and Mr. Butler.

Can you tell me what percentage of the canneries' jobs are held by local residents versus non-resident labor?

Mr. GALEA'I. 12 percent of our workforce are local residents; 88 percent are residents here.

Mr. BUTLER. About 85 percent versus 15 percent.

Mr. FALEOMAVAEGA. 85 percent Western Samoan and 15 percent other?

Mrs. CHRISTENSEN. 15 percent local?

Mr. BUTLER. Local U.S. citizens, American Samoan, Tongan, a very small percent of that is in the 15 percent range, but 85 percent from Samoa, independent countries, and 15 percent other.

Mr. FALEOMAVAEGA. Madam Chair, with the 85 percent Western Samoa, how many are married to American Samoans?

Mr. BUTLER. I can't answer that right now.

Mr. FALEOMAVAEGA. Well, I think we need to submit that report for the record because it can be very misleading to suggest that they are aliens as far as our culture is concerned. Make sure we don't because they are not. So we don't twist it.

Mrs. CHRISTENSEN. To all three of you, to what extent does the Chamber and canneries support the community, community activity, support our hospital and schools. Is that part of something that you do on a regular basis, and can you give me some examples of support that you have given to the community? That is my last question.

Mr. ROBINSON. Thank you, Madam Chair. On behalf of the Chamber one of our roles is community support. Recently we've been really actively involved in supporting the upcoming Festival of the South Pacific Arts as a initiative, and we have recently set up through the Chamber a new committee which we call the Young Professionals. Through that we are setting up the first I think American Samoa Institute of Management in order to look after young professionals to mentor them and make sure they get some guidance as they go through careers, set up also a new committee called the Environmental Committee which is looking at what we can contribute to helping the environment, burning fossil fuel, recycling of wastes, or alternative energy and issues such as that. So I think that certainly I am quite happy as President of the Chamber with doing whatever we can do to assist the community.

Mrs. CHRISTENSEN. I have visited the hospitals particularly interested. Can either of you want to talk about some of the things you have done in the community company wise?

Mr. BUTLER. We do numerous things in the community. We help out with a lot of government, particularly in the schools area. We have a program called Charlie's Kids, where we basically look at the lower elementary level education and challenge them to come up with programs to help develop elementary-level students. And we basically aid them financially and award based on the selection of the programs that they have turned in to us. We constantly sup-

port the Shriners and Rotary Club activities in American Samoa. We have numerous requests from local agencies, private businesses for support, and we help them out in terms of, if not financially, we have a local gift we call "wahoo" and consistently support all these activities. We are actively involved with almost everybody they ask for here.

Mr. GALEA'I. Samoa Packing provides contributions to various organizations like Rotary, Department of Education, private schools, the Women's Auxiliary at the hospital that you mentioned. We contribute there. We provide community scholarships. We would like to help more but as you probably can guess, when people are looking for fundraising, the canneries are on top of their list; and unfortunately, we have a lot more requests than we can fill but we would like to provide more contribution.

Mrs. CHRISTENSEN. I don't have any more questions. I am sure you'd be glad to hear that. It has been a long afternoon, and I want to thank you for your patience and your willingness to be under fire for a couple of hours this afternoon. And also those decisions we were asking about, were decisions made above your level, but we really thank you for your answers and your participation in this. And we feel this is a very important hearing. Giving the people of American Samoa, through their elected leadership, the opportunity to speak on this very important issue, we are very cognizant of the time constraints under which we are working. If we weren't before, this morning the legislative bodies—the House and the Senate—did deliberately remind us that May 25th is not very far away and that we need to get to work on Eni's bill and try to get that passed so that we can stop the increase. So we are very mindful of that, and when we go back to Washington, I know that it is not easy. It is not easy to reach a perfect solution here. Cost of living is going up, and we want to ensure that the people of American Samoa—as well as people across all the territories and across our country—have a wage that allows them to meet the cost of living for themselves and their families and provide a good quality of life. And the businesses need to be able to survive as well. So I think that the testimony that we've heard this afternoon and the discussions with the House and the Senate have been very helpful to us and provide the information we need to move forward to continue to address this issue. And the testimony this afternoon as well, and we really thank you for the opportunity to be heard and to hear from all of you.

I'm going to let Mr. Faleomavaega your own representative have the final word this afternoon.

Mr. FALEOMAVAEGA. Madam Chair, I want to thank you. I heard from certain parts of our little territory that there has been some criticism suggesting that we shouldn't even come and hold this hearing here in American Samoa. But I think we really should come simply for the fact that we are doing this, and I cannot thank you enough and give this as my personal tribute and commendation for your initiative and leadership for coming to the territory and holding a hearing such as this. And I think it has been a very informative and educational one, and see how many people of the Congress of the United States operate in its committees and especially dealing with this very important issue that is now pending

before the Congress as well as the concerns that have been expressed by our leaders from the community and our people.

I would be remiss if I did not recognize some of these members of the staff that have traveled all the way. Mr. George Miller on the Floor of the House. The concerns I raised with him is after all it is his committee that is going to be holding primary jurisdiction in moving this legislation through. And in doing this, he has assigned two members of his committee to join us in this hearing. Mr. Jody Calemine and Mr. Ben Miller—both from the Committee on Education and Labor—nice guys—and I also would like to recognize again Mr. Rich Stanton, the senior staff member for Don Young, who is the senior Ranking Republican. As most of you know, we work on a bipartisan basis and when it comes to doing the job for the needs of the people, I want Don Young on my side to oversee the Department of the Interior. For that reason, we very much appreciate Mr. Stanton's presence. Of course, I want to thank our Staff Director, Mr. Tony Babauta, and Mr. Brian Modeste. And I will not forget my good friend, Allison Cowan, who's been very patient. I do want to say again, I want to thank the Lieutenant Governor, President of the Senate and Speaker of the House, members of our Legislature, our business community leaders, and especially our two executives from StarKist and Chicken of the Sea.

Again, I think this is the challenge that we are faced with, and I sincerely hope that we'll find a resolution to make sure that our canneries will continue to stay here to provide employment for some 5000 of our working people in the territory. As I am sure they are also reasonable that if we do raise wages not just the canneries but also in the private sector.

With that, Madam Chair, I want to thank also Paramount Chief Galea'i for his coming here to be part of our audience and joining our representatives from Ituau District, Mr. Archie Soliai and another top executive of StarKist Company shaking his head, Mr. Meki Solomona. At any rate, again thank you so much for having this hearing, and I sincerely hope that in the coming weeks we'll be able to find a resolution with the problem to the escalation clause. I think unanimously I think some changes pass the effect for the economy and I hope Jody and Ben will carry the same message to the committee.

Mrs. CHRISTENSEN. I thank the witnesses again for the valuable testimony and the members for their questions. I may have additional questions for the panelists, and we'll ask you to respond to those and the hearing record will be open for 10 days. And I also want—this is very important. This is for members of the public for their interest and concerns on this issue, and I need to let you know that if you wish to submit testimony, please do so by March 7th. It will become a part of the official testimony and the official record of the Subcommittee hearing. So if there is nothing else, I want to also thank the staff and our witnesses, and the Subcommittee stands adjourned.

[Whereupon, at 4:45 p.m., the Subcommittee was adjourned.]

[Additional material submitted for the record follows:]

[A statement submitted for the record by Nikolao I. Pula, Acting Deputy Assistant Secretary of the Interior for Insular Affairs, U.S. Department of the Interior, follows:]

Statement of Nikolao I. Pula, Acting Deputy Assistant Secretary of the Interior for Insular Affairs, U.S. Department of the Interior

Madam Chairwoman and members of the Subcommittee on Insular Affairs, thank you for the opportunity to testify on the economic effects of the recently increased minimum wage in American Samoa and the Commonwealth of the Northern Mariana Islands (CNMI).

Enactment of Public Law 110-28 last May not only raised the Federal minimum wage rate in the 50 states, but, for the first time, the Congress took direct action to increase the minimum wage rates in American Samoa and CNMI by 50 cents per hour on July 24 and 25, 2007, respectively. The law also scheduled additional annual 50-cent increases until the two territories reach the Federal minimum wage, and required that the U.S. Department of Labor (DOL) report on the effects of the minimum wage increases. Under this new law, American Samoa will reach $7.25 per hour across all industries in 2014, and the CNMI will reach $7.25 in 2015.

The new minimum wage law precipitated the following actions:

(1) In December 2007, American Samoa Governor Togiola T.A. Tulafono proposed amending Public Law 110-28 so that (1) the annual 50-cent increases be amended to make them biennial and (2) any scheduled minimum wage increase be postponed for two years if the DOL Bureau of Labor Statistics determines that such an increase would "substantially curtail employment in" American Samoa.

(2) In January 2008, the U.S. Department of Labor issued its report on the minimum wage increases in American Samoa and the CNMI describing potential adverse economic effects of the increases.

(3) On January 29, 2008, Congressman Eni F.H. Faleomavaega introduced H.R. 5154, which would condition future increases in minimum wage rates in American Samoa or the CNMI on a determination by the Secretary of Labor that an increase will "not have an adverse impact on the economy of" the respective territory.

History

In 1938, when the Fair Labor Standards Act (FLSA) first established a United States minimum wage, special industry committees were established to phase in the minimum wage in those places when a minimum wage hike would substantially curtail employment. It was the intent of Congress that the minimum wage in such areas be raised in increments that would not destroy industries and jobs.

But after World War II, the industry committee system continued to set local minimum wage rates only in Puerto Rico, the U.S. Virgin Islands, and American Samoa. In 1989, the Congress determined that the full application of the Federal minimum wage rate to the U.S. Virgin Islands and Puerto Rico could be accomplished without significant harm to continued economic growth and development. Both territories have been subject to the Federal minimum wage ever since.

Before enactment of Public Law 110-28, a special industry committee, appointed by the Secretary of Labor, determined the minimum wage rates in American Samoa under authority of the FLSA. Composed of members representing industry and labor as well as disinterested persons representing the public, the committee reviewed minimum wage rates in the various local industries every two years. The committee recommended changes based on input from the community and an analysis of the extent to which the economy could support increases in the minimum wage without substantially curtailing employment. Minimum wage increases required a majority vote of industry committee members, and the committee's recommendations were binding. The most important aspect of the committee process was that it took into account the economic reality and the unique circumstances of this small island economy.

The covenant that created the CNMI "in political union with and under the sovereignty of the United States of America" became law in 1978. The covenant establishing the Commonwealth provided potential exemption or relaxation of some U.S. legal requirements affecting employment and immigration law, including the FLSA minimum wage provisions. The minimum wage in the CNMI was set by Public Law 9-73 at $3.05 per hour in 1996 when the U.S. minimum wage was $4.75 per hour.

In enacting Public Law 110-28, Congress declined to continue the special industry committee for American Samoa, but nevertheless was concerned about whether the mandatory increases in minimum wage would cause serious and irreversible eco-

nomic and financial harm to the CNMI and American Samoa. To provide needed information about this possibility, the statute mandated the Department of Labor to report on the impact of the minimum wage increases on living standards, employment and the economy in the two territories within 8 months of enactment of the Act.

DOL Study

DOL released its much anticipated report, titled "Impact of Increased Minimum Wages on the Economies of American Samoa and the Commonwealth of the Northern Mariana Islands" late last month. The report notes that it was not possible to analyze the actual impact of the minimum wage increase, given the short (eight-month) prescribed timeframe for the report and absence of timely labor market data for American Samoa and the CNMI. Nevertheless it raises concerns that future increases in the minimum wage rate in American Samoa and the CNMI will likely cause significant economic and financial harm to the territories.

An economy's capacity to create jobs and wealth should be one of the primary factors taken into account when minimum wage rates are adjusted. While the mainland U.S. economy had the strength and flexibility to adjust to a minimum wage increase, the economic situations of the CNMI and American Samoa are very different from the U.S. mainland. These territories face unique challenges in attracting private sector businesses because of their geographic isolation and location in a part of the world where most neighboring economies have much lower minimum wages and living standards. Given the structure and tempo of these economies, doubling of the minimum wage over a 10 year period, as would happen in American Samoa and the CNMI under Public Law 110-28, would present significant challenges to each territory.

The largest sources of employment in the American Samoa economy are the tuna cannery operations and the American Samoa Government (ASG). The DOL report notes the likelihood that both the canneries and the ASG would be significantly affected by future increases in minimum wage rates. The DOL report says:

> At present, the tuna canneries continue in operation, but there is concern that they will be closed prior to the escalation of the minimum wage to $7.25 per hour in 2014 and that production will be shifted to facilities outside U.S. jurisdiction where labor costs are significantly lower.
>
> An input-output model analysis commissioned by the government of American Samoa (conducted by McPhee and Associates) has estimated that closure of the tuna canneries will cause a total loss of 8,118 jobs—45.6 percent of total employment (in American Samoa)—including both direct effects (5,538 jobs) and indirect effects (2,580 jobs).

The canneries, which have shipped processed tuna to the United States for more than 50 years, have noted that in the future, they may leave the territory and take their production to other countries where labor costs would be much lower, such as 60 cents to 70 cents per hour in Thailand and the Philippines. The canneries are extremely important to the American Samoa economy as a result of their export of tuna products and the support of secondary trade and services businesses.

The canneries are not only the most critical component of the private sector, they also make up a significant part of the tax base supporting ASG operations. Without the canneries as an anchor for the private sector tax base, cutbacks in local government operations and services would likely be necessary.

ASG is the territory's single largest employer. In 2006, the 5,894 ASG employees represented 33.9 percent of total employment in the territory. ASG is a unitary system of government, with no local or municipal governmental layers and it performs not only the usual governmental functions, it also manages public utilities. If ASG's minimum wage increases continue as mandated in Public Law 110-28, the DOL report says: "Paying for the increases in government worker minimum wages will present a significant challenge to ASG." Numerically, if the minimum wage rate rises to $7.25 in 2015, as scheduled, ASG's increase in wage costs could be at least $5.2 million in 2015, according to the DOL report.

The DOL report also addresses the minimum wage issue with regard to the CNMI. The DOL report notes that the effect of the minimum wage increase in the CNMI, would be like raising the Federal minimum wage to $16.50 per hour in the 50 states. The report states that job losses in the CNMI will result in the return of foreign workers to their home countries and the migration of United States citizen workers to other United States jurisdictions.

The DOL report suggests that scheduled minimum wage increases could cause the canneries in American Samoa to relocate to lower cost countries long before they are forced to pay $7.25 per hour, and that more garment factories in the CNMI may close sooner than otherwise expected. The shuttering of industries in American

Samoa and the CNMI could cause the respective economies to suffer prolonged and wrenching contractions.

Conclusion

In light of the risks to the American Samoa and CNMI economies that are identified in this statement and in the DOL report, the Administration suggests that Congress give strong consideration to amending P.L. 110-28 in order to avoid increases in the minimum wage that could result in significant job loss and harm the economies of the two territories. We offer some suggestions regarding the factors that should be kept in mind in evaluating any potential legislative revision.

First, regarding proposals for a determination by the Secretary of Labor that would stop the implementation of an increase in the minimum wage, we would draw Congress's attention to the difficulty inherent in making any objective determination about the impacts of a proposed minimum wage increase before it goes into effect. Increases in the minimum wage have numerous, complex impacts on an economy and, generally speaking, create some positive and some negative economic impacts. Broad language that would postpone an increase in minimum wage based on a finding of any adverse impact on the respective economies of the CNMI or American Samoa might have the effect of preventing all progress towards a higher minimum wage. Narrower language requiring a determination that the increase will not substantially curtail employment allows more flexibility, but the difficulties for the Secretary of Labor of obtaining reliable information upon which to base any determination will be significant.

Another model that Congress might consider is the special industry committee that set the minimum wage rates biennially in certain areas of the United States and American Samoa for over 60 years. The advantage of the committee structure is that it ensures that the people who determine the minimum wage increases share first-hand knowledge of island economies, while representing different stakeholder groups within those economies as well as the public interest. When compared with proposals to vest the decision making authority in the Secretary of Labor, this model offers the advantage of ensuring that local knowledge is fully incorporated and that stakeholders in the territorial economies are able to play significant roles.

Thank you for considering the Administration's views.

[A statement submitted for the record by The Honorable Togiola T.A. Tulafono, Governor of American Samoa, follows:]

Statement submitted for the record by
The Honorable Togiola T.A. Tulafono, Governor of American Samoa

Talofa and greetings Chairwoman Christensen and Honorable Members of the Committee. I greatly appreciate this opportunity to testify before the Committee on the urgent need for remedial legislation addressing the minimum wage increases that Congress has mandated for American Samoa.

Current Economic Conditions in American Samoa.

In its January 25, 2008 report to Congress, the Department of Labor states that the economy of American Samoa is small and developing. Similarly, in hearings before the Senate Committee on Energy and Natural Resources on March 1, 2006, Deputy Assistant Secretary David Cohen of the Department of Interior stated, "American Samoa has the narrowest economic base" of the four territories. To document this point, Secretary Cohen noted that the per capita domestic product (GDP) in American Samoa ranks far below the other territories.

Further evidencing the urgent need for economic development: (1) American Samoa has a per capita income that is only one-fifth that of the rest of the United States. (2) The territory has a large number of subsistence workers who cannot find paid employment. (3) 88 percent of all farms in the territory operate on a subsistence basis. (4) Despite a large out-migration of American Samoans to the United States, the territory still has a young, rapidly growing population. (5) The territory's income primarily comes from two fish canning operations and from the Federal Government's operational and capital grants. (6) Recent employment gains in the territory have occurred mainly in low wage sectors. Even in the low-wage sectors, however, the territory is at a competitive disadvantage to the Philippines and Thailand where wages are a fraction of the mandated federal minimum wage in American Samoa.

To compensate for the territory's wage disadvantage, its remote location, limited resources, and small internal market, the Federal Government previously had pro-

vided trade and tax incentives for economic development in American Samoa. Specifically, preferential quota allocations, particularly for canned fish, as well as favorable tariff treatment and federal tax credits had allowed American Samoa to develop a seafood canning industry. As a recent Department of Interior-funded study has reported, the fish canning industry is the mainstay of the territory's economy. The two canners in American Samoa are responsible for the employment of well over half of the territory's entire workforce directly and indirectly.

Such a heavy reliance on two canneries is not economically sound, and the Government of American Samoa with assistance from the Department of Interior has pursued every opportunity to diversify the territory's economy. The territorial government has actively promoted business investment opportunities for agriculture, fisheries, tourism, call centers, and electronic information processing. If American call centers can operate in India and Guatemala, they should certainly be able to operate in American Samoa.

Recognizing that the territory's economic level is far below that of the 50 states, Congress had previously decided to establish the federal minimum wage rate in American Samoa proportionate to economic development. Under a procedure that had been applied to Puerto Rico and the Virgin Islands, Congress adjusted the minimum wage in American Samoa administratively every two years so as to reflect the territory's progress. Such adjustments, therefore, were economically sustainable. The biennial adjustments over time would raise the territorial minimum wage to parity with the regular federal rate.

As part of Public Law 110-28, the U.S. Troop Readiness, Veterans' Care, Katrina Recovery, and Iraq Accountability Appropriations Act of 2007, however, Congress increased the regular federal rate nationwide. Congress also mandated an immediate 50-cent increase in the hourly minimum wage rate for American Samoa as of July 24, 2007 with an additional 50-cent increase every year thereafter until the minimum wage in the territory matched the new federal rate of $7.25. This minimum wage hike for American Samoa, similar to the tariff and tax changes, was inserted in the rush to enact the larger legislation without assessing the impact on the territory.

That legislation did call for an after-the-fact review of the consequences. The Department of Labor has now submitted that report to Congress and the report predicts bitter results for the people of American Samoa. For the level of economic development in the territory the Department illustrates the impact in a telling way. The Department states that the mandated wage increase is equivalent to raising the federal minimum wage to $16.50 an hour in the states. The economic and political fall-out of such a drastic hike for the United States' economy is obvious. The territory must now contend with these very consequences.

Minimum Wage Legislation.

The regular federal rate reflects the United States' advanced industrialized economy. American Samoa needs to undergo major economic development to match the United States' economic level. The Department of Interior reports that per capita GDP in American Samoa amounts to $9,041 which is equal to 34.4% of per capita GDP in the lowest of the states and 22.8% of the national average. This also compares to a higher $13,350 per capita GDP in the Commonwealth of the Northern Mariana Islands, $22,661 on Guam, and $25,815 in the Virgin Islands.

Our per capita income is the lowest of the territories and only one-fifth that of the United States. Can the new minimum federal wage rate which reflects a developed, industrialized economy be sustainable in American Samoa? To this question, the Department of Labor reports that the mandated increase is not sustainable in American Samoa. The report noted that 77.8 percent of workers in the territory currently earn less than the federally mandated hourly minimum wage. Raising hourly wages to $7.25 an hour, the report says, will result in an increased wage bill of $40 million per year across all American Samoa industry sectors. Based on the $120 million annual payroll across all American Samoa industries reported by the 2002 Economic Census, this would represent a 33 percent increase in wage costs. General economic experience suggests that it is not likely that such an increase in wages could be absorbed through increased productivity, reduced profits, or higher prices passed along to consumers.

An earlier Department of Interior-financed study of the minimum wage impact on the fish canning industry predicted the closure of the two canneries in the territory. From this economic analysis, the Department of Labor concludes that losing the canneries would eliminate 44 percent of all jobs in American Samoa. The economic contraction would increase costs for the remaining sectors. Moreover, the remnants of the territory's economy would depend almost exclusively on Federal Government funds to survive.

In view of the Department's stark assessment, I request expedited enactment of remedial legislation so as to make future increases of the minimum wage in American Samoa contingent on the Secretary of Labor's determination (through the Bureau of Labor Statistics' analysis) that such increase is economically feasible and will not substantially curtail employment in the territory. For the Bureau of Labor Statistics to conduct a substantive analysis, future increases should occur every two years. This position is along the same lines that you Madam Chairwoman had outlined with honorable Senators Inouye, Bingaman, Akaka and our Delegate in a letter on May 18, 2007 to congressional leaders.

Legislative inadvertence is partly due to the fact that the Bureau of Labor Statistics and the Census Bureau do not collect timely economic data on American Samoa. Regular data collection provides Congress with ample details on labor market conditions, employers, and households in the 50 states, Puerto Rico, and the Virgin Islands. But the lack of such data for American Samoa leaves Congress and the federal Departments unaware of the economic consequences to this very distant part of the country. The remedial legislation should also require such data collection.

Territorial Operational Costs.

Increased business development in American Samoa depends on attracting investments from the United States. Following the recommendations of the American Samoa Economic Advisory Commission, the Government Accountability Office, and the Intergovernmental Group on Insular Areas, the American Samoa Government has worked on an economic development program. This program is similar to the initiatives various U.S. states have adopted to promote business development. Basically, these state programs offer economic incentives to businesses that commit to investments, hiring, and long-term operations in the respective state.

The Government of American Samoa is absolutely committed to developing the territory's economy so as to raise people's standard of living. In addition to federal initiatives, the territory must create a local development program just as the states have. Following the best examples of state development initiatives, American Samoa is crafting its own local program. Resources for this and other territorial initiatives, however, have been diverted to cope with the problems produced by the mandated minimum wage increase.

The Department of Labor's assessment of the impact of the minimum wage increase states: "General experience in the U.S. and elsewhere has shown that potential adverse employment effects of minimum wage increases can be...offset to some degree by an expanding economy that is generating net employment growth. In a declining economy, any adverse effects on employment will not be offset." Let me note that the territorial economy at present is anemic and that the territorial government must cope with falling tax revenues.

The Labor report also projects that the minimum wage increase for territorial government workers alone will increase operating costs for the Government of American Samoa by $7.2 million a year. The report concludes: "Paying for the increases in government worker minimum wages will present a significant challenge to ASG [the American Samoan Government].... These increases may force ASG to make difficult choices between reducing government payrolls, reducing available hours of paid work, raising taxes, or cutting non-wage expenditures." I would point out that the first 50-cent mandated increase has already imposed added operational costs on the territorial government as will the second increase coming in May. As a result the territory must request supplemental budget authorization and appropriations to cover the additional operational costs imposed by recent federal legislation and also to implement its local development initiatives.

Conclusion.

Madame Chairwoman, this Committee is acutely sensitive to the economic situation in American Samoa and has been very supportive. In particular, you and the Delegate sought to modify the 2007 minimum wage legislation to reflect actual economic conditions in the territory. On behalf of the people of American Samoa, I wish to publicly express appreciation for your attempt to ward off this well-meaning but disastrous legislative mandate.

Now that the Department of Labor has documented the dire impact of the 2007 legislative change on American Samoa, I urgently request this Committee and Congress to enact timely remedial legislation. Committee support for the pursuit and enactment of tax and appropriation measures to correct the unintended but very real consequences of past actions is also needed and would be greatly appreciated. We in American Samoa are proud to be Americans and we have served our country with valor and devotion. Remedial legislation will help us to develop our economy so that we can stand with the other territories and the 50 states as one nation.

[A list of documents retained in the Committee's official files follows:]

The information submitted for the record by the following individuals and organizations has been retained in the Committee's official files:

- American Samoa Department of Commerce, submitted by Director Faleseu Eliu Paopao
- Lorn Cramer
- Salu Hunkin-Finau
- Lawrence and Jane French
- Paul Krampe, Executive Director, American Tunaboat Association
- Tony Langkilde, Tautai Fisheries Co., Inc.
- Alofagia Vaita Nomura
- LINA Saegaese Prendergast
- Ruby Reed
- Trudie Iuli Sala
- Carlos M. Sanchez, Longline Services Inc.
- Sisters of Nazareth of American Samoa
- Taulapapa William Sword
- P. Ben Teo
- Petition submitted by employees of Starkist Samoa of Starkist Inc.
- United States Department of Labor, submitted by Ronald Bird, Ph.D., Chief Economist in the Office of the Assistant Secretary for Policy